

1032

94/4
A 8/2
F 22/58
976

Y
4
Ag 8/2
F22/58

FmHA MANAGEMENT CAPABILITY

976 DOCUMENTS

GOVERNMENT AUG 16 1976

Storage

LIBRARY
STATE UNIVERSITY HEARING

BEFORE THE
SUBCOMMITTEE ON RURAL DEVELOPMENT
OF THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

BONDURANT, IOWA
MAY 1, 1976

Printed for the use of the Committee on Agriculture and Forestry

KSU LIBRARIES



699502
A11500



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

DOCUMENTS
MAY 16 1950
KANSAS STATE UNIVERSITY

COMMITTEE ON AGRICULTURE AND FORESTRY

HERMAN E. TALMADGE, Georgia, *Chairman*

JAMES O. EASTLAND, Mississippi	ROBERT DOLE, Kansas
GEORGE McGOVERN, South Dakota	MILTON R. YOUNG, North Dakota
JAMES B. ALLEN, Alabama	CARL T. CURTIS, Nebraska
HUBERT H. HUMPHREY, Minnesota	HENRY BELLMON, Oklahoma
WALTER D. HUDDLESTON, Kentucky	JESSE HELMS, North Carolina
DICK CLARK, Iowa	
RICHARD B. STONE, Florida	
PATRICK J. LEAHY, Vermont	

MICHAEL R. McLEOD, *General Counsel and Staff Director*

SUBCOMMITTEE ON RURAL DEVELOPMENT

DICK CLARK, Iowa, *Chairman*

HUBERT H. HUMPHREY, Minnesota	CARL T. CURTIS, Nebraska
JAMES O. EASTLAND, Mississippi	ROBERT DOLE, Kansas
JAMES B. ALLEN, Alabama	HENRY BELLMON, Oklahoma
PATRICK J. LEAHY, Vermont	

EX OFFICIO MEMBER

HERMAN E. TALMADGE, Georgia

(II)

CONTENTS

Statement of—	Page
Barnoske, Jean, president, Perry Housing, Inc., Perry, Iowa.....	75
Blobaum, Roger, representative, Southern Iowa Council of Govern- ments, Creston, Iowa.....	26
Brown, Hon. Arthur B., mayor, city of Bronson, Bronson, Iowa.....	35
Clark, Hon. Dick, a U.S. Senator from Iowa.....	1
Dunn, Michael V., director, Southeast Iowa Regional Planning Com- mission, Keokuk, Iowa.....	22
Joy, Irvin D., planner, Siouxland Interstate Metropolitan Planning Council (SIMPCO), Sioux City, Iowa.....	37
Kelso, Robert, executive vice president, Atlantic Industrial Develop- ment Foundation, Atlantic, Iowa.....	59
Kirchner, Don, member, East Central Iowa Association of Regional Planning Commissions, Riverside, Iowa.....	52
Lounsberry, Robert H., Iowa State Secretary of Agriculture, Des Moines, Iowa.....	19
McConnelee, Robert L., representative, Chamber of Commerce, Perry, Iowa.....	45
Mann, Hon. Ray, mayor, city of Sergeant Bluff, Sergeant Bluff, Iowa...	38
Naylor, Frank, Jr., Associate Administrator, Farmers Home Admin- istration; accompanied by Robert R. Pim, Director, Iowa State Farmers Home Administration, U.S. Department of Agriculture...	4, 46
Nizzi, Ray, chairman, Central Iowa Regional Council of Local Governments, Waukee, Iowa.....	39
Poling, Larry D., secretary-treasurer, Edgetown, Inc., State Center, Iowa, with attachment.....	93
Roths, Julius H., president, Northwest League of Municipalities, Rock Rapids, Iowa.....	30
Schulte, Hon. Loras A., mayor, city of Norway, Norway, Iowa.....	54
Suchan, Gerald, executive director, Region Six Planning Commission, Marshalltown, Iowa, with additional material.....	51
Thalacker, Rev. William, chairman, Ridgeway Rental Housing, Inc., Ridgeway, Iowa.....	32
Wetherill, Marjorie, housing counselor, Hawkeye Area Community Action Program, Cedar Rapids, Iowa, with additional material.....	43
Willard, Dwight F., chairman, Housing Authority, Spencer, Iowa, with additional material.....	41
Woodring, William E., certified public accountant, Happy Homes & Olive Grove Estates, Des Moines, Iowa, with additional material.....	57
Miscellaneous material—	
Letters to Senator Clark from—	
Baldwin, Roger A., county extension director, Iowa State Uni- versity of Science and Technology, Rock Rapids, Iowa.....	84
Breeling, Mrs. Roy G., Little Sioux, Iowa.....	86
Faulkner, Virgil B., mayor, city of Pacific Junction, Pacific Junction, Iowa.....	91
Greedy, Mrs. Allan, Carroll, Iowa.....	84
Hammond, Howard R., Hammond's Housing, Slater, Iowa.....	83
Keegan, Vincent J., Ryan, Iowa.....	84
Kerndt, T. M., president, Kerndt Bros. Savings Bank, Lansing, Iowa.....	92
Kraft, A. Ronald, general manager, Red Oak Industrial Found- ation, Red Oak, Iowa.....	83
Murphy, Theodore E., mayor, city of Ida Grove, Ida Grove, Iowa.....	85
Owen, Kenneth E., executive director, Rathbun Regional Water Association, Inc., Centerville, Iowa, with attachment.....	87
Schweitzer, Leonard, New London, Iowa.....	82
Singleton, Richard, mayor, Conesville, Iowa, and director, League of Iowa Municipalities.....	90
Weimer, Mrs. Harold, president, Riverside Elderly Development Corp., Riverside Senior Village, Riverside, Iowa.....	93

CONTENTS

1. Introduction

2. The History of the Project

3. The Objectives of the Project

4. The Methodology of the Project

5. The Results of the Project

6. The Conclusions of the Project

7. The Recommendations of the Project

8. The Acknowledgements of the Project

9. The References of the Project

10. The Appendixes of the Project

11. The Glossary of the Project

12. The Index of the Project

13. The Bibliography of the Project

14. The List of Figures of the Project

15. The List of Tables of the Project

16. The List of Abbreviations of the Project

17. The List of Symbols of the Project

18. The List of Equations of the Project

19. The List of Diagrams of the Project

20. The List of Photographs of the Project

21. The List of Maps of the Project

22. The List of Charts of the Project

23. The List of Graphs of the Project

24. The List of Diagrams of the Project

25. The List of Photographs of the Project

26. The List of Maps of the Project

27. The List of Charts of the Project

28. The List of Graphs of the Project

29. The List of Diagrams of the Project

30. The List of Photographs of the Project

31. The List of Maps of the Project

32. The List of Charts of the Project

33. The List of Graphs of the Project

34. The List of Diagrams of the Project

35. The List of Photographs of the Project

36. The List of Maps of the Project

37. The List of Charts of the Project

38. The List of Graphs of the Project

39. The List of Diagrams of the Project

40. The List of Photographs of the Project

41. The List of Maps of the Project

42. The List of Charts of the Project

43. The List of Graphs of the Project

44. The List of Diagrams of the Project

45. The List of Photographs of the Project

46. The List of Maps of the Project

47. The List of Charts of the Project

48. The List of Graphs of the Project

49. The List of Diagrams of the Project

50. The List of Photographs of the Project

51. The List of Maps of the Project

52. The List of Charts of the Project

53. The List of Graphs of the Project

54. The List of Diagrams of the Project

55. The List of Photographs of the Project

56. The List of Maps of the Project

57. The List of Charts of the Project

58. The List of Graphs of the Project

59. The List of Diagrams of the Project

60. The List of Photographs of the Project

61. The List of Maps of the Project

62. The List of Charts of the Project

63. The List of Graphs of the Project

64. The List of Diagrams of the Project

65. The List of Photographs of the Project

66. The List of Maps of the Project

67. The List of Charts of the Project

68. The List of Graphs of the Project

69. The List of Diagrams of the Project

70. The List of Photographs of the Project

71. The List of Maps of the Project

72. The List of Charts of the Project

73. The List of Graphs of the Project

74. The List of Diagrams of the Project

75. The List of Photographs of the Project

76. The List of Maps of the Project

77. The List of Charts of the Project

78. The List of Graphs of the Project

79. The List of Diagrams of the Project

80. The List of Photographs of the Project

81. The List of Maps of the Project

82. The List of Charts of the Project

83. The List of Graphs of the Project

84. The List of Diagrams of the Project

85. The List of Photographs of the Project

86. The List of Maps of the Project

87. The List of Charts of the Project

88. The List of Graphs of the Project

89. The List of Diagrams of the Project

90. The List of Photographs of the Project

91. The List of Maps of the Project

92. The List of Charts of the Project

93. The List of Graphs of the Project

94. The List of Diagrams of the Project

95. The List of Photographs of the Project

96. The List of Maps of the Project

97. The List of Charts of the Project

98. The List of Graphs of the Project

99. The List of Diagrams of the Project

100. The List of Photographs of the Project

FmHA MANAGEMENT CAPABILITY

SATURDAY, MAY 1, 1976

U.S. SENATE,
SUBCOMMITTEE ON RURAL DEVELOPMENT OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Bondurant, Iowa

The subcommittee met at 11 a.m. in the auditorium of the Bondurant-Farrar Community Schools, Hon. Dick Clark (chairman of the subcommittee) presiding.

STATEMENT OF HON. DICK CLARK, A U.S. SENATOR FROM IOWA

Senator CLARK. The hearing of the Rural Development Subcommittee of the Senate Committee on Agriculture will come to order.

We welcome you here this morning. Today's hearing is a part of a continuing review of this subcommittee of the practices and policies of the Farmers Home Administration. We have had a number of hearings in Washington, and this is a part of that series, and this review has been carried out cooperatively with the Farmers Home Administration for the purpose of examining carefully how well the Agency's programs work.

We have on a number of occasions discovered areas where we believe improvement is possible, and we have worked very closely with the Farmers Home Administration to make these improvements. Careful oversight of the program operations of the various executive departments is an important part of the continuing responsibility of the Congress. Since, I became chairman of the Rural Development Subcommittee about 3 years ago we have emphasized heavily the oversight aspect of rural development.

We know that one of the great problems and one of the great criticisms of government—and I think appropriately so—over the last several years has been ineffectiveness of our programs. Unfortunately not all the programs that we passed have worked effectively, so there is a renewed emphasis on the idea of effectiveness in these Federal programs, and that is really what this hearing is all about; that is what the oversight process is all about. How can we do a better job as the bureaucracy grows, as programs grow? They have certainly grown very rapidly.

In the Farmers Home Administration, we have to be increasingly concerned about whether the money is being spent in the best way, whether people who receive the services, the users themselves, really are receiving the kind of treatment that they ought to receive from their own Government, and whether in fact the money is being spent

effectively. That is really what these hearings are about. Can we improve the programs? Can we make them better? Can we make them more effective?

We are turning specifically to those people who use the programs. We have just toured the facility here at Bondurant, the new water storage facility out on the edge of town, and this is one of many Farmers Home Administration programs, and so most of the witnesses are going to be people who have been directly involved in these programs, whether they think they are working, what we can do to make them better, what is wrong with them, what is right with them, and what should we do when we go back as a subcommittee of the Senate Agriculture Committee to bring about any changes that will improve them.

Since the passage of the Rural Development Act of 1972, the Rural Development Subcommittee has played a very active oversight role, as I have said. We have worked very closely with the Department as the rules and procedure of the 1972 act have been developed. I might just say that the 1972 Rural Development Act was an attempt for the first time in history to really bring together all of the programs, some of which had been created earlier, like the water and sewer programs, some of the housing programs, and so forth, to try to bring these all together under one administration in the Department of Agriculture, coordinate all these efforts to help the small communities of the country, and then we passed some additional legislation as well; so we viewed the Rural Development Act of 1972 as sort of the watershed of small town development.

It has never been completely funded. It has never been completely implemented, but this we think is the vehicle, the legislative vehicle which is going to make it possible for us to not only stem the migration out of the small towns but, in fact, to make them increasingly attractive places to work and to live in terms of both job opportunities and public facilities and, of course, that is what the Farmers Home Administration program is about.

The Farmers Home Administration is the major institution of government to implement these rural development programs. That is how important it is.

Well, our review of the Farmers Home Administration practices and policies then, we think, is very, very significant, and this subcommittee has not always been happy, admittedly, with the administration of the 1972 act.

Rural development has not progressed as far or as fast under the 1972 act as the Congress had expected. In some cases this is the result of a shortage of funds. Obviously we have been through a period of great economic distress, and I must say that I have advocated higher levels of funding for the Farmers Home program on many occasions and will continue to do so in cases where clear need is shown.

I think that if you travel around the communities of this State—and I suspect other States—and look at the needs both in water and in sewer, in housing, in loan funds to bring about job opportunities, business and industrial loans, you begin to get some concept of the need that exists.

In this connection, I was happy to see that the Farmers Home Administration was able to add some 271 permanent full-time positions in county offices across the Nation in this fiscal year, and another 185 positions in the State and district offices.

I was disappointed to see that in his budget for fiscal year 1977, the coming fiscal year, the President has requested no increase in positions for Farmers Home at all because it is my impression that the programs and the FmHA are still seriously understaffed and that this problem inhibits Farmers Home Administration loan programs and sometimes forces curtailment of technical assistance, which is absolutely essential in going along with the grant and loan programs.

It is our specific purpose here today then to listen to farmers, to other rural residents and officials of small towns and communities who have dealings with the Farmers Home Administration to describe their experiences with the Agency. Frankly, I haven't talked to a single witness ahead, so I have no idea what they are going to say, but what we want to do is just get some level, straightforward talk about how they have been treated, about whether the Agency has been responsive, what they think of the programs, how they work, what they think we ought to do.

We have invited mayors, farmers, and others from across the State to speak on this subject, and we have a schedule of persons who will appear, and we have asked—a great number of people, incidentally, have signed up; many more than we expected. I think right now we have something like 25 witnesses who have asked to speak. If there are any of you here who would prefer simply to submit your remarks, they will be put in the record as if given because we have only 4 hours for the hearing and we have a great number of witnesses, but anybody who would like to speak is going to have an opportunity to do that.

We will establish some time limits after we have heard from some of the opening witnesses. By the way, I have been asked to announce by the school that you should not smoke in this room.

At the end of the testimony today, we hope to have some time for additional comments from the floor, from those of you who will not have an opportunity to testify, because we want to have a chance to hear from anyone who has anything to say, whether you came here prepared or not.

Also here today is Mr. Frank Naylor, Jr., who is the Associate Administrator for the Farmers Home Administration, from the Agency in Washington, at the headquarters, as well as Mr. Robert Pim, who is the Iowa State Farmers Home Director from the Agency in the Des Moines office, and we thought it would be appropriate to start with Mr. Naylor and Mr. Pim. Any comments that you might want to make about the Farmers Home or just anything you would like to say by way of openers, and then perhaps Mr. Pim—do you have a brief statement as well?

Mr. PIM. Yes.

Senator CLARK. Then maybe we will have just some brief questions and then go on to Secretary Lounsberry. Please proceed in any way you think appropriate, Mr. Naylor.

**STATEMENT OF FRANK NAYLOR, JR., ASSOCIATE ADMINISTRATOR,
FARMERS HOME ADMINISTRATION, ACCOMPANIED BY ROBERT
R. PIM, DIRECTOR, IOWA STATE FARMERS HOME ADMINISTRATION,
U.S. DEPARTMENT OF AGRICULTURE**

Mr. NAYLOR. Senator, I appreciate that. We also are interested in hearing from your witnesses today, so I am going to try and consolidate and be very brief in any statement that we might have.

We appreciate the opportunity to again appear before your subcommittee and to report to you the progress Farmers Home Administration is making in the area of rural development.

Essentially Farmers Home works in four major sectors of the rural economy, as you are well aware. I think the most significant of these is the production of food and fiber because it produces the most significant factor in our rural economy. It accounts for about 20 percent of all rural income, and farm production feeds, of course, all Americans and provides substantial supplemental food overseas to other industrial nations.

The abundance of our farm production makes it possible for the United States to be generous in food needs in underdeveloped nations in the world, and particularly in this area it generates additional industry, contributes to a favorable balance of trade and creates jobs for nonfarm workers in rural America. Therefore, our first priority has been and will continue to be consideration in Farmers Home Administration to develop and administer the kinds of programs which will assure the continuation and prosperity of the family farm in the United States.

The second major area of consideration is the assistance to rural communities to see that they meet their goals for a planned and balanced growth, and I emphasize "balanced growth." We do have a dynamic agriculture in this country, but the main street of America will remain dynamic only if the diversified mix of business necessary to serve rural residents is here in adequate amounts of goods and services to serve our farmers.

Farmers Home Administration offers financial assistance to individuals and communities in planning and developing rural growth and prosperity; however, Senator, as you know, we strongly believe that the employment opportunities and the direction which these communities choose to go should be of their own making and of their own direction, and that we can provide that kind of assistance.

No rural area perhaps is adequately equipped to attract and accommodate new businesses or to provide basic decent living standards for its population unless public services and community facilities meet quality standards that prevail in both urban and suburban areas.

We will continue to put high emphasis on our rural communities in meeting locally determined needs for such services and facilities, such as the one which you visited this morning and that is providing adequate water supply for this fine community.

At the beginning of this current fiscal year, Farmers Home Administration was servicing accounts on 845,000 borrowers. Actually we have 1,400,000 borrowers on our account records as of now.

Senator CLARK. 1,400,000?

Mr. NAYLOR. 1,400,000; 10,000 of these are association borrowers serving approximately 4 million families. These figures do not include families benefiting from our watershed loan programs, and these figures represent a total portfolio indebtedness today of slightly in excess of \$16 billion, which we expect to increase to \$20 billion before the close of this year.

Under the program direction from the Washington headquarters, we operate through 42 State offices, the National Finance Office in St. Louis, and, as you know, Senator, our county office network now stretches from Guam in the Pacific to all 50 States and into Puerto Rico and the Virgin Islands. We utilize heavily the services of the local people in our communities, the local 2,800 supervisors and 6,500 committeemen serving to assist us in our operations.

I am particularly glad that we were able to come to Bondurant today as the site of this hearing because Iowa, I think, is one of our best examples that we can point to as a well-diversified program serving the needs of rural America. We have many State directors around the country doing an excellent job, but I think Bob Pim, our State director here in Iowa, is an example of one of our most outstanding. By any yardstick you would care to use, I think Iowa is a leader in Farmers Home program delivery, service and accomplishments.

In the total program allocations, Iowa ranked fourth in the United States in 1975 for the program level of \$193.8 million out of the total national allocation of funds appropriated of \$5.46 billion. Allocations in the major programs I will submit for the record, including the State breakdown.

Senator CLARK. Yes. We would like that.

[The following material was subsequently submitted by Mr. Naylor:]

FARMERS HOME ADMINISTRATION—OBLIGATION OF FUNDS BY STATE, FY 1975

[In thousands]

State or territory	Farmer programs	Housing programs	Community programs	Business and industrial loans	Total
Alabama	\$23,512	\$29,316	\$28,042	\$5,283	\$86,153
Alaska	37	5,553	2,530	107	8,227
Arizona	8,535	27,809	9,337	150	45,831
Arkansas	32,253	41,523	23,174	7,373	104,323
California	13,212	77,577	29,388	6,932	127,109
Colorado	20,293	37,957	6,857	800	65,907
Connecticut	907	20,000	3,027	85	24,019
Delaware	2,303	13,146	1,844	2,750	20,043
Florida	12,722	76,808	28,588	1,950	120,068
Georgia	32,967	30,310	32,256	22,983	118,516
Hawaii	1,093	16,525	5,051	-----	22,669
Idaho	31,404	70,535	4,147	10,685	116,624
Illinois	88,322	65,113	27,052	12,929	193,416
Indiana	36,172	73,002	30,944	2,834	142,952
Iowa	108,500	61,179	16,996	7,135	193,810
Kansas	86,129	30,734	14,456	1,975	135,294
Kentucky	24,125	53,447	22,703	2,444	102,749
Louisiana	49,557	29,728	20,771	14,110	114,166
Maine	17,953	113,287	21,195	15,198	167,633
Maryland	4,805	40,324	8,256	207	53,592
Massachusetts	67	4,933	5,335	34	5,369
Michigan	49,463	90,988	28,645	6,698	175,803
Minnesota	109,929	33,860	16,157	11,193	171,139
Mississippi	124,427	54,895	28,675	20,282	228,279
Missouri	116,481	50,970	8,256	4,906	180,613
Montana	29,191	15,702	4,985	1,792	51,670
Nebraska	56,329	27,103	4,715	3,685	91,832
Nevada	3,283	6,538	2,463	920	13,204
New Hampshire	829	15,401	3,841	2,170	22,241
New Jersey	3,984	60,845	25,569	935	91,347
New Mexico	17,296	12,813	5,433	1,153	36,695
New York	26,061	72,712	48,598	18,275	155,643
North Carolina	51,080	98,676	51,529	23,863	225,148
North Dakota	61,332	12,968	11,225	3,134	88,659
Ohio	12,434	67,332	22,965	10,248	12,979
Oklahoma	107,820	44,083	14,510	7,200	173,613
Oregon	10,243	39,776	10,038	11,500	71,557
Pennsylvania	14,240	50,427	50,635	3,297	118,599
Puerto Rico	15,161	23,213	2,773	3,000	44,147
Rhode Island	67	4,933	369	-----	5,369
South Carolina	23,690	37,000	21,506	9,820	92,016
South Dakota	88,747	19,547	9,002	1,525	118,821
Tennessee	36,510	80,460	38,023	12,089	167,092
Texas	256,942	61,260	31,082	14,461	363,745
Utah	10,462	43,069	5,371	30,250	89,152
Vermont	7,823	17,347	6,034	2,189	33,393
Virgin Islands	155	2,351	-----	200	2,706
Virginia	12,191	126,600	29,861	6,480	175,132
Washington	21,537	43,905	9,535	2,295	77,272
West Virginia	5,783	45,559	35,948	6,211	93,501
Wisconsin	121,198	44,357	16,554	8,839	190,948
Wyoming	17,786	12,067	968	2,740	33,561
Total	2,008,531	2,244,830	862,856	349,994	5,466,262

Mr. NAYLOR. I think it is significant that the level again this year is going to be quite high. In addition to the above, Iowa State administered an emergency program last year and a special livestock emergency program which totaled some \$40 million in 1975, and through April 9 of the current year has provided an additional \$17.9 million of emergency funds for Iowa farm residents.

Senator CLARK. That is in addition to the \$193.8 million, or that is a part of it?

Mr. NAYLOR. That is a part of the \$193.8 million. The \$17.9 million is an addition to the figures for the current year.

In carrying out these programs Mr. Pim, and other directors, have been faithful to the Administration's guidelines. The Rural Development Act of 1972 gave the Department a broad new breath of responsibility in rural America to stimulate and to guide the development of their own communities. However, Farmers Home Administration has consistently resisted pressure from individual groups that develop programs full blown in either the National or State office level and then to move them into the countryside and dictate rural development.

Indeed we have spelled out the role of the Federal Government in rural development as assistance that allows rural people, local governments, civic groups, organizations and most of all the private sector to achieve the development of a need and want. Bob Pim and his counterparts in other States shoulder that responsibility, and we believe we are making progress.

At the same time that we are making loans, we also have a vital responsibility for servicing. I think it is important to say that that record has been one of good balance here in Iowa, and Mr. Pim and his personnel in this State have been successful in maintaining one of the lowest delinquency rates in the country; not because I think they have been tough collectors, but because they have been fair collectors and have provided the necessary service and guidance to the people who are borrowers from the Agency.

I think in the coming year the Agency has requested a very significant budget in the fiscal year 1977 process, which will supply significant new input of funds into the operations of rural America. I might add, Senator, that the total estimate for fiscal 1976 at this point is \$6.1 billion of new money that will flow into rural communities through the Farmers Home Administration alone in the year.

Senator CLARK. Fiscal 1976?

Mr. NAYLOR. Fiscal 1976. The administration is concerned about the ever-increasing inflation in Federal spending, and we have examined areas of strain and concern. I think it is important for the people—and I am sure of interest to the people in rural America—that one of the factors that we must bear close attention to is the rising cost of interest subsidies in various Government programs.

In the Department of Agriculture this year \$1 billion will go to interest subsidies from Farmers Home Administration programs or other subsidy interest programs within the Department. This, like food stamps, has become a very heavy fixed expense, which is impacting on the total funds available in a discretionary fashion to our agricultural producers and our farmers in rural America. It is one of growing concern, and it is reflected in some restraint in the budget request that we have presented to the Congress this year, but it has not reflected itself in those areas where deep subsidies do not exist. In fact, Senator, as you know, we have worked closely with you and your subcommittee in developing recommendations to expand the guaranteed authorities and related activities in that area, which we believe can have significant impact on providing additional credit in the farm area to our farm activities.

Mr. Chairman, I appreciate the opportunity to make this statement to you this morning. I believe Mr. Pim has a very brief statement,

and then we will be available for any questions you may have, and we will remain to be of what assistance we can to you, sir.

Senator CLARK. Good. It is an excellent statement. Let me ask you just one question for the record. You said this fiscal year the spending level—the budget level is \$6.1 billion. What is your request for the next fiscal year?

Mr. NAYLOR. The next fiscal year on basic programs, exclusive of the emergency programs which the total need is not yet known, is about \$5 billion.

Senator CLARK. So you are asking for a little more than \$1 billion less for next year than this?

Mr. NAYLOR. This represents, from our original budget request of last year, a slight increase. It does not reflect \$500 million of additional housing money which was passed as a supplemental in the fall, which was passed after the budget had already been submitted.

Senator CLARK. Well, I get confused on all these different things. Let's try to get something comparable.

The \$6.1 billion is the amount that you estimate will actually be spent this year?

Mr. NAYLOR. That is correct.

Senator CLARK. If we follow your specific recommendation, the President's recommendation, really, as to how much we will spend in Farmers Home next year, that would be \$5 billion?

Mr. NAYLOR. It will approximate \$5 billion, exclusive of a comparable level in the emergency loan area. Let me perhaps clarify it this way, Senator. This year the 1977 request is slightly more than the 1976 request, but it does not reflect, from a comparison standpoint, a \$500 million level in the emergency loan program which we anticipate for fiscal 1976, nor does it reflect any consideration of the \$500 million supplemental housing appropriation which was added on after budget submissions and after any consideration in that area.

Senator CLARK. Added on at Presidential request?

Mr. NAYLOR. No. It was added on as a result of congressional action. We have not requested nor do we anticipate at this point requesting that to be added on the housing program for this year.

Senator CLARK. Well, again, I don't want to get sidetracked here, but as I recall, when you appeared before the joint committees that we had with the House and the Senate, you did propose in the budget request to cut back on most of the programs in the Farmers Home Administration in terms of real dollars. Am I wrong about that?

Mr. NAYLOR. Senator, I think primarily the area that we have addressed ourselves to in the budget are the deep subsidy or grant items which in some instances have either been reduced or eliminated for this particular budget cycle. The lower subsidy items, I think you will find in most instances, are either the same or have a slight increase; such as in the housing, I believe, there is about a \$100 million increase on that request.

Senator CLARK. In real dollars?

Mr. NAYLOR. Yes, real dollars. We are also, as you know, proposing some shift and more emphasis in the rural renting housing area because we feel this provides—and I think Iowa is an exceptional example, particularly in the area of housing for the elderly in the small rural community—what can be done to provide very significant

assistance in the communities in dealing and providing excellent housing for the elderly families within the State.

Senator CLARK. Well, now, one of the programs that—I don't want to anticipate what any witness is going to say, but it is my impression that one of the programs that has been most effective in this State has been the water and sewer program. I have heard it said that Iowa has more small towns than any other State in the Union. Maybe every State says that. I don't know. There are 952, if I remember correctly, so they have a great number. Many of them, as you know, in this State as in other States, are badly in need of water and sewer projects. We were just out talking to the mayor of Bondurant, who is here, and the former mayor, and they have had great problems in terms of looking to assistance for sewer systems, and I suspect that although I don't know all the people here, perhaps half of them are in a situation where at some point they are going to need some assistance with regard to sewer systems.

Now, in your asking in your budget for next year, in your request—the President's request—to the Congress, you are actually proposing that we cut those grant programs significantly or entirely.

Mr. NAYLOR. Senator, we did not request grant money in that area. We did request the maintenance of the program level which we had been operating.

Senator CLARK. What does that mean, "maintenance of the program level"?

Mr. NAYLOR. We did make the same request for funding of the coming year, \$470 million in the sewer programs, water and sewer programs.

Senator CLARK. That would be \$470 million grant money?

Mr. NAYLOR. Loan money.

Senator CLARK. I am sorry. I mean loan money.

Mr. NAYLOR. Yes. Now, we will have a carryover in the grant area which will carry into the next fiscal year which will make grant funds available.

Senator CLARK. How much would that be, Mr. Naylor?

Mr. NAYLOR. We estimate currently that should be around \$110 to \$120 million.

Senator CLARK. How much are we spending this year in grants?

Mr. NAYLOR. We will spend roughly—well, the total was \$250 million. It would be roughly \$130 million, in that range. I would have to check and provide that for the record, but approximately that.

[The following information was subsequently submitted by Mr. Naylor:]

The projected use of water and waste disposal grant funds in fiscal year 1975 as of May 15 totaled \$155 million.

Senator CLARK. So your proposal at the present time—and I say you—I really mean the President because I know the proposal that you make to OMB or the President is not necessarily the one that comes to us, probably necessarily it isn't but if we follow the President's request, we are really going to be cutting back on the grant money, and we are going to be at the same level on loan, minus the cost of living. In other words, your submission to us, as I recall, is exactly the same in dollar amounts for loan programs this year as last year.

Mr. NAYLOR. That is correct, Senator. In the areas where we are talking about programs of deep subsidy or grant level—it was a difficult decision, I think, by our agency. In looking at the problems throughout government today of fiscal restraint and the increasing loads that we are putting on our taxpayers, I think it is equally significant, as I mentioned before in the agricultural area, that as we continue to add to these fixed costs—and we are talking about commitments now that run 40 or 50 years of subsidy on the major deep subsidy program—that these are fixed costs and they will erode the dollars available for straight agricultural activity, just as the problem exists in the food stamp program within the Department, so it was our recommendation—and not just OMB, Senator—not an easy one, but certainly one we felt we had to make. We had a responsibility to deal with this problem of fiscal restraint, and I don't think anyone can be excluded from that. Everybody has got to do their bit.

Senator CLARK. Would you include the Defense Department?

Mr. NAYLOR. Well, I think there are some serious problems there, Senator, but I am not a defense expert so I am not going to get into it.

Senator CLARK. Well, I just think it ought to apply right across the board, not just with the farmers programs or rural programs, but that is another story.

Let's go on to Mr. Pim, who has a statement.

Mr. PIM. Thank you, Senator. As Mr. Naylor mentioned, we administer programs for separate areas, farmer programs, housing, community programs and business and industrial loans. I have prepared a rather detailed statement in all four of these areas that I would like to submit to you.

Senator CLARK. We will be happy to make that a part of the record.

Mr. PIM. This is a statement that specifically deals with Iowa and the use of those programs, but I would like to make a general statement in regard to the management of the programs in Iowa.

We always welcome the opportunity to tell our story at any time we are offered a chance, encourage questions and comments and suggestions at any time. We know in this way that we can seek active answers to new problems and communicate the solutions that are provided by Farmers Home through the programs that we administer.

I do not believe it was the intention of the present legislation to have solutions to all problems, but through open discussion new solutions can be developed for problems facing rural communities. It is important to us here in Iowa that we develop professionalism in the personnel administering Farmers Home Administration programs. It is important because in this way we can develop dependable decisions that can be made to help applicants that have a reasonable chance to succeed. We are making good progress in this area through the training that is being provided by our own staff in the State office, plus the training made available by our Norman, Okla., training center. The training that has been made available from the Iowa State staff concentrates in the area of program administration. We have also arranged from the State level to make much management training available to our county offices over the last several years. We have consulted with Dr. Jude West from the Center of Labor and Management at the State University of Iowa and Dr. Don Hendricks from the Engineering and Management Institute of Iowa State

University. We found this training to be valuable to our county office people in the delivery of our programs to the public.

In addition to this, courses are available to State and county office personnel at the FmHA training center at the University of Oklahoma, and since June of 1974, 66 of our supervisory and program personnel have received over 2,400 hours of training at the Oklahoma Training Center. This training has been in developing our professionalism as managers and training in technical areas of program administration.

The job of serving the public through the administration of programs such as the ones available through Farmers Home is a very dynamic challenge. Only through communication with the public, interested groups and committees such as this can we develop a trusted relationship necessary to capably administer these programs.

FmHA is presently administering 30 to 33 separate programs. It is our management objective here in Iowa to have a balanced program in all of these areas in the 51 county offices that are responsible for the programs. It is our goal to actively provide these available programs to all applicants that have the repayment ability necessary to meet the loan objectives. We must provide a balanced program of loan servicing and graduation.

A balanced program must also provide for effective public relations and leadership in the rural community. It is necessary that we respond to whatever changing credit needs there are in the local communities. Needs vary from one community to the other because of varying resources and availability of credit. We have 650 banks in Iowa and 80 savings and loan associations. Both banks and the savings and loans have branch offices that deliver credit. In addition to this, we have production credit associations and Federal land bank associations. We have insurance companies and other private enterprise operations that deliver credit to the rural areas, and these are managed by separate management teams.

We must be responsive to the efforts of all lenders in rural areas and best complement their efforts so that the greatest number of applicants can be financed.

It is our objective in Farmers Home in Iowa to be active lenders, so within the limits of our allocation and the maximum number of applications, we can assist the maximum number that have a reasonable chance to succeed.

It is also our intention to be active in loan servicing so that delinquent accounts can be kept to a minimum and that the accounts are able to refinance and graduate to credit available from private enterprise. By being active in loan servicing, we assist families in every way possible to become good money managers. It is our belief that the public expects Farmers Home to act prudently, fairly and firmly when making and servicing loans. Irresponsible credit decisions are unacceptable. If loans are made to applicants with no reasonable chance of succeeding, it is a waste of human resources, a waste of Farmers Home limited available funds, and it often causes local businesses to have losses at the time of the liquidation of the loan.

Because of the varying credit needs in rural areas, we believe our delivery system with 51 county offices, which are located in the rural communities, best serves the effectiveness of delivering programs such

as this to rural development. It is a management challenge to effectively deliver a balanced program to the rural area. It takes continual review of our accomplishments and continual review of our goal-setting process to accomplish this objective.

The solutions to our problems are sometimes out of our control, but many times they are within our direct control. We work in both areas to solve the problems that are facing us.

I have prepared a couple of summaries that show the increase in our loan volume over the last 5 years. This shows that in fiscal 1971, we made about 4,000 loans, for \$59 million. In 1975, fiscal 1975, which ended July 30, 1975, we made about 9,000 loans, for \$193.8 million.

Now, during 1974-75, we did make over 6,000 forgiveness loans that were totally canceled because of the emergency loan program spelled out in Public Law 92-237.

We have maintained a low delinquency, as indicated by the chart which I will furnish for the record. It shows our delinquency rate as compared to the national average, and it shows it somewhat less than the national average. Actually our big volume program is our housing program at the present time, as far as total numbers are concerned. Our volume is about 3,000 loans per year. Now, that is a very general—

Senator CLARK. About 3,000 of the 9,000, about a third of your total then? You have 9,000.

Mr. PIM. Yes. That is about right. We have about a 16,000 caseload in single family housing loans now. The reason I bring this out is that this is an important program in rural development. Housing credit is short in rural Iowa, and it is important that this be administered soundly.

We have only 13 houses in inventory, which would indicate, I think, that we have managed a pretty sound program. Only 20 houses now are under foreclosure, and our delinquency rate is being reduced under the very acceptable level of a year ago. We have reviewed our graduation policy. We think we have an effective policy whereby we are graduating borrowers we have into the normal channels of credit that are available from the sources that I mentioned earlier.

Our loan volume for 1976 will be increased in all programs except the emergency loan program, in my opinion, and past-due accounts will not be increased above the acceptable level of a year ago.

That is the end of my oral statement.*

[The following information was subsequently submitted by Mr. Pim:]

In Business and Industrial loans the first allocation was given to Iowa around January 1974. By July 1, 1975, at the end of the first fiscal year, we had used 50% of the \$4 million allocation. Totally since January 1974 to June 1, 1976, we have funded 23 projects for a total of \$18,198,500 out of a total allocation of \$18,380,000.

We have not used all of community facility allocation in Iowa. The following shows how allocations were utilized:

Fiscal year	Allocation	Number of projects	Amount of dollars used
1974	\$945,000	1	\$600,000
1975	3,576,000	4	1,798,000
1976	3,770,000	5	1,560,000

*See p. 61 for prepared statement of Mr. Pim.

Senator CLARK. Thank you. What I would like to do—I guess these questions are aimed at Mr. Pim, but either of you may answer them, if you see fit, and I would like to go through them quite quickly, if we can, because I think they can be answered real briefly, and we are on a very tight schedule.

I thought it might be good for the record, Mr. Pim, for you to just talk even 20 seconds about each of the programs that you have—not in any detailed sense, but you have a farm loan program; you have the housing program; you have the water and sewer program; you have the business industrial loan; you have the community facility loan. Can you just for the record briefly talk about what those are? I don't mean how much you spent on them, or anything, but what are they and why are they valuable, each of those. Just tell us in the briefest way.

Mr. PIM. Under the farmer program, we have farmownership loans which are available to families that are unable to get credit from normal credit sources and it enables families to buy land and add to their farm.

Farm operating loans are available to families that are unable to get credit from another source for feed, fertilizer, seed, livestock, machinery. These are loans to operate farms.

Then under housing, we have loans available for families that are unable to get credit from another source to buy houses in communities of 10,000 and less, up until last week, and we went into communities of 20,000 and less. This involved towns in six communities in Iowa.

Senator CLARK. How many?

Mr. PIM. Six.

Senator CLARK. That fell in that additional?

Mr. PIM. 10,000 to 20,000, right. We have a loan to finance rental housing in communities of 20,000 and less for nonprofit groups and individuals and corporations to furnish housing for the senior citizens and low-income families.

In the sewer and water, we have programs available to finance communities that are unable to get credit from another source in an area of 10,000 population and less, with emphasis on 5,000 and less. These are 40-year loans at 5 percent interest. We have 213 communities in Iowa that have this type of loan in operation. You saw one loan this morning at Bondurant.

Senator CLARK. You said 5 percent?

Mr. PIM. Yes; 5 percent. We have 59 more loans that are in process, that are funded, not closed. We have 50 golf courses financed in Iowa.

Senator CLARK. But you haven't done that for several years, have you?

Mr. PIM. We have not done that for several years, but I think it is very appropriate—these have added to rural development. I don't believe that we have a delinquent golf course loan in Iowa today.

In business and industrial loans, we have guaranteed loans available to businesses in Iowa. We are actually looking for businesses that have not been able to get adequate credit under the normal channels in rural areas that would either save jobs or create jobs.

We have to have a lender available, and the intent of this guarantee is to provide credit above the area that SBA has been able to

address. SBA has delivered very effectively in rural Iowa over the years with their guarantee, but there are more and more businesses that have need far greater than what SBA has been able to reach. The \$350,000 limitation that SBA has is not always able to furnish the credit that many of our businesses, growing businesses that have adequate management capability need.

Senator CLARK. Then you have got the community facility loan.

Mr. PIM. The community facility loan.

Senator CLARK. Would you explain that; please?

Mr. PIM. All right. This is a loan that is available to communities for community facilities. It is a 5-percent loan, 40 years, that would finance other community facilities other than sewer and water. The types of things that we have applications for—I have, by the way, been asked to furnish a list of those by your staff, and this is in my statement.

Senator CLARK. Yes. We did want that; yes.

Mr. PIM. We have been asked for financing for all types of community facilities, such as community centers, fire rescue systems, nursing homes. I think there are 20 some odd other community facilities that we have been asked to finance.

Senator CLARK. You have got a lot of flexibility there in terms of what you are doing.

Mr. PIM. We have, yes; some flexibility.

Senator CLARK. OK. Now, let's look at those last two categories—again, I want to do this briefly—community facility loans and business and industrial loans. Now, how many community facility loans have you made in Iowa, roughly speaking?

Mr. PIM. I can tell you exactly in a few minutes.

Senator CLARK. Good.

Mr. PIM. We made 10.

Senator CLARK. Ten?

Mr. PIM. Yes.

Senator CLARK. Over how long a period?

Mr. PIM. Two years.

Senator CLARK. How many business and industrial loans have you made in Iowa?

Mr. PIM. I think there are 22.

Senator CLARK. Twenty-two?

Mr. PIM. I think there are 22.

Senator CLARK. Twenty-two?

Mr. PIM. Twenty-two guaranteed.

Senator CLARK. In 2 years?

Mr. PIM. Yes.

Senator CLARK. So you have really only barely scratched the surface in those two areas in terms of 2 years. I mean we have got 22 of one and 10 of the other. We are just really getting started in that program.

Mr. PIM. I think that, yes, is true. We have only scratched the surface in both areas. We have used our allocation nationally.

Senator CLARK. Yes. You have used it all. You just didn't get much money.

Mr. PIM. Yes.

Senator CLARK. Where are those concentrated in Iowa?

Mr. PIM. They are all over.

Senator CLARK. They are not concentrated in any one area?

Mr. PIM. No.

Senator CLARK. You have got a map, or something, haven't you?

Mr. PIM. I don't have a map. I have a list of them.

Senator CLARK. Could you provide us, for the record, with an Iowa map and show each of those separately?

Mr. PIM. The ones that are funded?

Senator CLARK. Yes, the ones that are funded.

Mr. PIM. Sure.

Senator CLARK. The 10 community facilities and the 22 businesses, it is your feeling, that they are pretty much distributed in all parts of the State?

Mr. PIM. Yes.

Senator CLARK. Now, you know there has been a lot of discussion, particularly at the national level, about staffing problems, whether or not Farmers Home has enough staff, and so forth, and obviously service is important. In fact, it isn't simply Farmers Home or it isn't simply agriculture. There is this constant criticism that the Government is not responsive, the bureaucracy is not responsive.

You have seen this recent "Successful Farmers" poll, probably, the questionnaire to farmers, and they have got about 41 questions here, and this was taken, I guess, this month, as I recall. It is reported this month in the April "Successful Farming," and they are not very satisfied generally with Government's responsiveness. They say civil servants are unresponsive; they are uncooperative; they are slow. What is your own feeling now in terms of the Agency that you head, Mr. Pim or Mr. Naylor? What do you think about that kind of criticism? Why do we get that kind of criticism? This isn't aimed at Farmers Home particularly, but it is aimed at the whole spectrum of Government programs. Why do people feel that the Government is so unresponsive? What is your interpretation of why people feel the way they obviously do?

Mr. PIM. To answer the question of why this survey appeared the way it did, I think we have one point of view pretty well spelled out here. I don't believe that the positive story that we have is getting told as well as we should be getting it told. We have delivered almost \$200 million over the last fiscal year to 9,000 people in the State of Iowa, and I think we have done it effectively. We have had some delays because of our emergency situation. I think we have a good story. I think we have a positive story to tell. I don't believe it is getting told in surveys such as this.

Senator CLARK. Well, now, of course, this doesn't come from the magazine; this comes from the people that were interviewed, you know, the farmers.

Mr. PIM. Yes. I believe that the positive side would balance this story fairly well. Now, I feel that there are some delays, and I think there are some procedural improvements that could be made to streamline our operation. I think we have grown pretty fast, and I think that, as I mentioned in my opening statement, it is a dynamic business. We have to continually look at what we are doing to improve on what we are doing, and I think this is one of the things this Agency has to do. I think we should look at our procedures, and I think we should update them and streamline them and definitely try to be responsive.

Senator CLARK. Well, I agree with you. I see question 22, "All and all, do you feel you get your money's worth from Government agricultural services in your area?" 39 percent say yes; 58 percent say no. Obviously that isn't one agency. It is all of the agricultural agencies.

Well, let's look at that because I think right in the last part of what you said, you were right, I think, in saying that people resent the applications and redtape, so to speak, the bureaucracy.

Have you reviewed the application and reviewed procedures? Could they be more direct and simple?

Mr. NAYLOR. Senator, I am glad you asked that question because we just recently answered it for one of your fellow congressional members. I would like to preface it by first saying that I think some of our own employees in the field are equally frustrated on occasions by Government redtape. I think our people in the field are probably some of the most outstanding representatives of Federal employees around the Nation that you will find anywhere, but I think there is a very fundamental problem in the bureaucracy today, and in that respect I am talking about Washington, D.C., and I think congressionally also.

The problem of ever-increasing requirements that are being imposed and which must be incorporated into our regulations—for example, the business and industrial application is several times larger than what the commercial lenders would require, and yet when you go through that, you find that the reason that it is that much larger is because of congressional mandates on various aspects of various programs that don't directly relate to that loan; for example, economic impact statements, EEOC statements, other types of equal opportunity statements, environmental statements.

Senator CLARK. You think those shouldn't be required?

Mr. NAYLOR. I think there is a need and responsibility for Government to deal in those areas, but I think we need to examine how much we are asking of the private sector, or our citizens in terms of paper workload that we are imposing on them, and what kind of costs are we imposing on them, and I think you have seen some recent surveys, Senator, at the cost of medical facilities, for example, in meeting the requirements of medicaid and medicare, adding in some instances, it is claimed, as much as \$3, \$4, \$5 a day to a room, simply to process Federal reports.

I do not lay this to our field organization. This is a problem of Washington. It is a problem of the executive branch, and I feel a problem of the congressional branch.

Senator CLARK. Do you feel that you have adequate staffing now? We have been through a long period of—in other words, do you feel that you have had and do have an adequate amount of staff out here in the field in your State office, in your county offices, to do the job, or has that been a problem and is it a problem?

Mr. NAYLOR. Senator, I think in some regard there will probably always be some degree of problems and to directly answer your question, yes, I feel that we have adequate staff with the following considerations being brought to bear for the coming year with the budget request we have in:

First of all, we are moving to provide for the authority to use contract fee appraisers, fee inspectors, to have outside assistance on our

tax servicing, on our insurance activities. We have made a number of changes in our own internal operations, including the toll-free inquiry station as one example of a series of management improvements which this month will handle 30,000 inquiries from our field to assist them in expeditious servicing, as an example.

Senator CLARK. So you have the staff. There is no problem in terms of having the experienced professional—not necessarily at all perfect, but you have no direct problem?

Mr. NAYLOR. Any time you have 10,000 people, you are going to have some warts, and that applies to all of us, but I am proud to be associated with this organization. I have seen few in government, I think, that have set a better example for genuine concern about the people that they service than is reflected in our local employees.

Senator CLARK. So that if somebody out here in Iowa goes in for a housing loan or a community facility loan or a business and industrial loan or water and sewer, and so forth, there is no reason at all, in terms of staffing, that those requests ought not to be considered in a reasonable time and gotten back in an appropriate way?

Mr. NAYLOR. Senator, I believe as we bring in all the resources—and they are not all in place yet, but they will be by the beginning of the fiscal year that you are talking about—that that will be very much the case. As you know and as we have discussed with you, we are looking toward further utilization and assistance from ASCS and other agricultural agencies and, in fact, we do have that authority now and have recommended that it be more clearly mandated by the Congress that that authority is effectively used as a resource.

Senator CLARK. Now, you are saying you are going to have it. Are you implying then that you haven't had it in the past?

Mr. NAYLOR. In response to that, we have been able to bring it in. We got it last year on ASCS resources. They gave us significant assistance. The answer to your question is no. Some of these things we do not have in place. They are in the process of being put in place now; for example, tax servicing assistance, the use of fee inspectors, the elimination of certain other requirements on our county officer personnel that constitutes busy work, which we think will provide significant increases in time and will provide them adequate time to carry that out.

Senator CLARK. Mr. Naylor, I don't want to start a debate here because we have a lot of witnesses, and so forth, but as chairman of the Rural Development Subcommittee, it seems to me that I can remember just in the last 3 years that we have had the Farmers Home Administration up, and they have always said they had adequate staff. They never asked for more. They have got plenty. I don't see at this point how we can say that we haven't had adequate staff in the past because we haven't asked for more. Have we had adequate staff in the past or haven't we?

Mr. NAYLOR. Well, Senator, we did bring in additional staff this last year—

Senator CLARK. No. I say have we had or haven't we in the past? Not this last year. I am talking about the last 3 or 4 years.

Mr. NAYLOR. I think there has been a period of time several years back where we crossed a point where we probably went from excess staff to a shortage condition. We did take a number of steps to work

with that. It would always be nice, I think anybody would say, to have more personnel, but we think we have enough. We had enough last year. We feel we have enough this year to effectively deliver the program.

We are going to have occasional problems when we hit peak situations and emergency conditions, such as existed in Wisconsin a year ago. Those types of peak load are going to adversely affect us, but aside from those conditions which you can't do anything more but be prepared for, we think we can handle the program.

Senator CLARK. OK. As I say, I haven't talked to a single witness, and I don't have any idea what the testimony will be, but as people come up here one after another and say that their loan sat for 3 months or 6 months or 9 months and wasn't dealt with and they didn't get an answer, and so forth, it certainly was not because you didn't have the staff hired to do it?

Mr. NAYLOR. Senator, I am sure there will be people where those situations have occurred, and we are aware that backlogs have generated on occasion either because of heavy emergency loan activity—

Senator CLARK. I mean in nonemergency situations. Obviously in emergency loans, you get into another kind of problem. I am talking about regular kinds of programs.

Mr. NAYLOR. That is true. We have on occasion had a fund problem, not a personnel problem. Under those kinds of conditions, yes, there undoubtedly have been some backlogs.

Senator CLARK. OK. Thank you very much. Mr. Pim.

Mr. PIM. We have had the emergency loan program in Iowa, and we were not able to get emergency loan money to add to that, so this does have an effect on anything—most any office in this State had a large emergency loan program the last 18 months to 2 years, and this did have an impact.

Senator CLARK. That raises a question in my mind. If we have got adequate staffing in the Farmers Home Administration—I don't just mean in Iowa—I mean in the whole Agency—and emergencies occur, it would seem to me that we would have the staff that we could move into the States where the emergency occurred. I don't mean just some people that are moved in, but adequate staff to respond to that because we are going to have emergencies, given the nature of the weather, and so forth, all through this country year after year after year.

Why does an emergency clearly create what it says? In other words, all at once you have got a big snow storm in western Iowa or South Dakota or the one that we went out to a year ago, and you have got lots of applications, thousands of applications, but why can't we make an adjustment there? It seems to me that Mr. Pim is saying, "Well, that affected our whole operation. Once we got that, we couldn't do any of these other things in the same way we could before because suddenly we are inundated with emergency loans."

Why can't we have staffing, and so forth, that allows for that, that anticipates that, at least for a large degree?

Mr. NAYLOR. Senator, your point is well made. I think the basic problem you get into is that we do have—last year ASCS provided us considerable help. We do have provisions for our State directors to hire additional temporary staff. We do have provisions to bring staff

in from out of State, if it is a localized problem, but I think even with those considerations, a loan is a technical, difficult problem which requires experienced personnel, and while the busy work can be done, it still is going to require experienced, trained Farmers Home personnel to move those and move them as expeditiously as possible, and they have and will continue to have the No. 1 priority, and I think as a result we would be very untruthful to say that it does not impact on our other programs when we have a heavy influx of emergency programs.

Senator CLARK. We are going to have them every year. I don't remember a year in the recent history of Iowa where we haven't had an emergency of one kind or another. We get something every year, year after year after year.

Mr. NAYLOR. That certainly is true. However, I think, as you know, Senator, we had a nightmare of emergency legislation. In the last 2 years I think we have had five changes. Due to the efforts of your committees on the hill, I think we have legislation now that is much more manageable and will provide some relief to that problem, and we are very appreciative of the Congress for that assistance.

Senator CLARK. OK. Thank you very much. We may call on you again later. I know that we have got some time problems, but perhaps at 1:45 or 2 o'clock, or something like that, if we have got some overriding questions that have been raised here that we don't know the answers to, we will call you back.

Mr. NAYLOR. Senator, we would appreciate that and would be most happy to do so.

Senator CLARK. We are going to hear next from the Secretary of Agriculture, Robert Lounsberry.

STATEMENT OF ROBERT H. LOUNSBERRY, IOWA STATE SECRETARY OF AGRICULTURE, DES MOINES, IOWA

Mr. LOUNSBERRY. Thank you very much, Senator Clark. I appreciate the opportunity to share the visit to the site here in this community today with you, and have the opportunity to make a few brief remarks.

My name is Robert Lounsberry, and I am the secretary of agriculture. I speak both as an elected official for the State of Iowa and also as a farm owner in Story County, and as a former family farm operator for over 25 years before going with State government. I have had the opportunity to work firsthand with Farmers Home Administration, both as a private citizen and as an elected official in Iowa.

During some phases of all of those programs, including farm loans and also emergencies and disasters—and I have observed firsthand some of the sparks, I guess, that ignited the catalyst, I hope, to bring about some of the community development programs that we have observed throughout Iowa.

My remarks today will be very brief and will be concerned with six points of observation and concern about the Farmers Home Administration in Iowa. Many of these points you have already touched on in questioning the gentlemen who preceded me here, but the first point I would like to make an observation on is the overall

administration of the Farmers Home Administration, which is, in my opinion, one of the most effective and responsive Federal agencies that we have in operation here in Iowa. It is an oldtime agency, and it was established during the depression, but age has not reduced its resiliency and sensitivity to the needs of rural people. This was demonstrated in its response to help farmers financially with emergency loans during the two great natural disasters in 1974 and 1975.

My office did work very closely with civil defense, with the Farmers Home Administration and with the SCS in trying to cut through some of the redtape, and due to some of the legislation that occurred right during that time, we were able to improve our communications. I think that is one of the strongest points a person should make.

As a farmer, I feel the frustration of many other farmers thinking that perhaps elected officials are not responsive to the need. Sometimes you can't lay all the blame on the elected officials. I think sometimes we as citizens and farmers are a little bit negligent in following through our own procedures to get these things accomplished.

Anyway, the second point I would like to talk about, I would like to ask in the form of a question. Are there too many programs involved in the Farmers Home Administration? Well, I do not think so, but we certainly need to be on guard in this area.

As I understand it, the Farmers Home Administration plays a double role; it serves as a credit agency for agriculture and for rural development. In recent years the rural development aspect has been greatly expanded, as you know. I think we must be very careful not to push rural development in farm communities to the point where there is an overlapping of goals and funding; for example, the Small Business Administration. Perhaps we should form a citizens committee for future determinations and setting guidelines of what constitutes a rural community in Iowa.

The third point I would like to talk about is the priority of community service where the Farmers Home Administration is involved. I think we see this need for establishing clear-cut priorities. Probably we see it right here in the community of Bondurant, as far as sewer problems are concerned. I am advised that programs to help waste disposal systems have been extended to towns with up to 10,000 population, but that priority still goes to towns under 5,000, and I think this is good. Again, perhaps this is an area where we need a statewide citizens advisory committee, with advisory powers only, to help make priority decisions.

I have been privileged to serve on the Governor of Iowa's Rural Development Advisory Council. We met in several communities. I remember traveling in northeast Iowa, and the people in Postville told us that they were glad to find out that elected officials realized that there were just as many miles from Des Moines to Postville as there were from Postville to Des Moines. They thought maybe we didn't realize that prior to that. Anyway, we could make some improvements here, I believe, Senator.

The fourth point would be individual farm loans. I personally know a few individuals who were denied farm loans to buy land, but after hearing the reasons why they were denied the loans, I believe the Farmers Home Administration was justified in that denial, and in each case it was hoped that the applicant could improve his financial standing and push ahead the next crop year so that his application could be

reconsidered and he would not be denied on down the road. This is the kind of self-help development which I favor, and I think it does ignite the spark of incentive to bring about the completion of these programs.

I do not think that any young farmer who is sincere and wants to get ahead should be or will be denied help, and generally that help is available as he needs it. Simply stated, I personally do not believe in blanket handouts, but I believe in generous loans for the applicant who is intending and will pay back that loan, and this is the kind of help that I feel is necessary for the Farmers Home Administration in Iowa to give young farmers and farmers in general, and hopefully they will be able to continue to do this.

You mentioned staffing levels. That was the fifth point that I was going to mention, and it appears to me to be adequate unless increases in program levels are added or unless serious emergency or natural disasters require lending activity from the Farmers Home Administration, as it did in 1974 and 1975.

In support of the policy to achieve economy in government, I would recommend that we consider other alternatives to handle the increased workload other than just adding more government workers. It could certainly be that after all the alternatives are considered, that by putting a few more people on the staff, we could increase the overall efficiency of this administration, Farmers Home Administration. Such a decision must from necessity be carefully weighed in this time of inflationary cycles.

The sixth and final point that I did want to mention is public relations. I think both Mr. Naylor and Mr. Pim alluded to this fact. The Farm Family of the Year contest has proven a successful means of promoting Farmers Home Administration farmers who use farm ownership and operating loans through the Farmers Home Administration, and the media has been very cooperative in using Farmers Home Administration releases, and in my position as secretary of agriculture, I also help publicize, and endeavor to do so wherever it is feasible and possible, the work that is being done and the opportunities that are available through the Farmers Home Administration program.

In summary, I believe that the Farmers Home Administration in Iowa is a very viable, satisfactory one, and that the director has a good handle on the job, and that while there are some areas of concern about the direction and phase of rural development programs, the Farmers Home Administration remains a valid and helpful organization which is endeavoring to serve its original purpose well, and that is to serve as a credit agency for agriculture and for rural development.

Thank you very much, and I appreciate having the opportunity to be with you today, and I will leave the formal statement.

Senator CLARK. Thank you.

Mr. LOUNSBERRY. Do you have any questions of me?

Senator CLARK. No, that is fine. Thank you.

I am going to ask three people to come up at once. I think we might move along a little faster here, and we will just go right on one, two, three.

First, Mike Dunn, and then also Roger Blobaum and Mr. Julius Roths.

I would like to announce, incidentally, that we have got some other people here from other congressional offices. Sue Simms is here observing from Congressman Bedell's office. Congressman Bedell serves on the House Agriculture Committee.

We also have Betsy Seaman from Senator Culver's office, who is here. I also wanted to announce that anybody who desires to make an oral statement, who has not yet filled out a witness sheet—one of these—will you just go right outside the door to the library, straight back, and we will get those filled out, and I think we are kind of taking the witnesses as they come in and fill those in.

Now, additionally because of the time problems—we have got about 2 hours and 45 minutes remaining and some 23 witnesses—we are going to ask the opening statement—not everything we do, but the opening statement—be limited to about 6 minutes. If the bell rings, that means your 6 minutes are up, and then we will have questions following that.

Now, Mike is the Southeast Iowa Regional Planning Commission director down in Southeast Iowa, the First Congressional District, and he lives at Keokuk, which is a long drive up here on a Saturday morning, so we appreciate your coming, and I know that he is one of the people in the State that knows a good deal about the kinds of problems that we are talking about, and we are particularly anxious to have his testimony, so you go right ahead, Mike.

STATEMENT OF MICHAEL V. DUNN, DIRECTOR, SOUTHEAST IOWA REGIONAL PLANNING COMMISSION, KEOKUK, IOWA

Mr. DUNN. Thank you, Senator. On behalf of myself and the planning commission, we thank you for the opportunity to get this testimony in front of the Rural Development Subcommittee.

The four counties that we represent are Louisa, Henry, Des Moines, and Lee. They make up 32 different communities, and the total population is 118,000 people. The communities range in size from 117 to 32,000.

The planning commission began operation late in 1973. One of the first things that we discovered in a survey in 1974 was the tremendous problems that we had in housing in the four-county area. In the study by the regional planning commission, we have estimated the need of over 10,000 new units or rehabilitated units of housing. Over 7,000 units were deemed substandard, in need of some sort of rehabilitation program.

Senator CLARK. That is in the whole four-county area?

Mr. DUNN. That is in the whole four-county area, Senator. We thought that the Farmers Home Administration 504 rehabilitation program would be an excellent program in which to help alleviate some of those 7,000 substandard homes. However, in checking with Farmers Home Administration, we found that only three such loans were made last year.

Senator CLARK. When you say three such loans last year, you mean in that four-county area?

Mr. DUNN. Those four counties, yes, sir. We had over 1,300 low-income or elderly people who could possibly take part in the section 515 rental assistance program; yet we found last year only 36 such new units were being built within the area.

In addition to that, 200 units of section 502, which is the regular housing program, was put into the area, so we find that Farmers Home Administration last year put in approximately 239 units of housing to help offset this over 10,000-unit need.

The second area of problems that we found in the southeast counties was due to the loss of approximately 6,800 jobs at the Iowa Area Ammunition Plant. The southeast Iowa area went from a point early in the decade where we were well below unemployment levels, to a point last year where areas within the four-county area reached proportions $1\frac{1}{2}$ that of the national average, and as you know, last year's national average was rather high.

This brought about doing studies with communities to see what type of community loans they would need or facility loans they would need for community development. I have prepared here a list of 16 different communities and the types of programs that they indicated they needed and that would work with the communities in developing some type of capital improvement programs or a program to establish some kind of economic stability in the area. We came up, in just these 16 communities, with 59 different programs which would be in excess of \$8.7 million if they were all implemented. We did prepare applications for many of these different communities, not only to the Farmers Home Administration but to the Department of Housing and Urban Development.

We received three water program fundings under Farmers Home Administration for \$571,800, of which \$419,000 were loans. We received one sewer program grant for industrial development for \$45,000, so of the 16 communities indicating the need, 4 were funded through Farmers Home Administration loans or grant programs totaling \$616,000.

I think if you take into account that the total \$8.7 million that we indicated we needed in just those 16 communities and applied them to the total amount of dollars the Farmers Home Administration had, you would find that there wasn't much money left for the other 936 communities, if they were to be funded, so we felt that there were two areas that had definitely been brought out of the needs of the Farmers Home Administration to make it a viable answer to rural development:

First of all, additional fundings for programs, both loans and grants, and second of all, in contrary to other testimony you have had, we feel there is a lack of personnel.

Senator CLARK. Lack of personnel?

Mr. DUNN. Yes.

Senator CLARK. Why do you think that?

Mr. DUNN. All right. We have a couple of reasons for stating that we feel there was a lack of personnel. First of all, we have two programs that we feel can help in rural development, the Housing and Community Development Act of 1974 and the Rural Development Act of 1972. Both of these programs have taken Farmers Home Administration what we feel is an exceptionally long time to start implementing portions of these programs.

Under the Rural Development Act, funding of that program and getting the program operational took quite a while. Under the Housing and Community Development Act, there are still portions of the act that aren't even being processed. I think Mr. Pim pointed out that

just last week they decided to go into communities between 10,000 and 20,000, which affects us quite a bit because two of those communities that we talked about are in our area.

Senator CLARK. You have got two communities in your four-county area that are between 10,000 and 20,000?

Mr. DUNN. Yes, sir.

Senator CLARK. You have still got one community that is larger than that?

Mr. DUNN. Yes, sir, we have one community.

Senator CLARK. Which one is that?

Mr. DUNN. We have one community of 32,000, Burlington, Iowa. However, that community would still be eligible for certain fundings under the Industrial Development and Rural Development Act.

We have in the four-county area two offices of the Farmers Home Administration. One office serves three counties, and the other office serves one of our counties but shares some additional counties outside of our four-county region. They have two officers working in each of these two-office staffs, with secretarial assistance, and they are charged with the responsibility of running the gamut of programs that you have talked about this morning, farm loans, farm operation loans, emergency loans, recreational loan programs, water and sewer, plus regular housing programs.

One of the major areas of concern that we have is that there is no personnel available to do either research programs or outreach programs and, that is, to find the people that would be available for programs such as the rental assistance program, the rehabilitation program, and work with these people to go through and establish the final loan for them or grant, as the case may be.

Senator CLARK. You are saying unless they come in the office and ask for it, that they are not apt to get it?

Mr. DUNN. Unless they come into the office and ask for it—first of all, there is not an awareness of these programs being available. It is not something that is advertised. When they were talking about public relations and telling their story, I don't think the Farmers Home Administration, in my area at least, is telling the story of the programs that they have available for the low-income people.

Second of all, once these people are identified and matched up with programs, it is a long, tedious process, as has been pointed out by Mr. Naylor, not only through Farmers Home Administration needs, but to comply with other Federal legislation that is required. We have also found, I think, a real lack in communication between Farmers Home Administration and other agencies, specifically with the Department of Housing and Urban Development, trying to get these two agencies to operate the section 8 and the section 515 programs simultaneously together. I think as of last year there were only something like seven in the entire Nation in which the Farmers Home Administration would put up the money for the initial building and the Department of Housing and Urban Development would put up the rent subsidy money.

Probably the greatest upset for us is the cutback in the Farmers Home Administration production levels in their fiscal year 1977 budget, specifically for subsidizing homeowners, and the failure to request more funds for rental assistance, housing research, technical

assistance, rent provisions of the Housing and Community Development Act, and the most disturbing sign, a failure to request an increase in staffing.

In taking a quick look at the fiscal year 1977 budget for the Nation, we find that the budget under the Rural Housing Insurance Fund, the only program which did in fact ask for additional money was the section 515 rural rental program. We feel that if the 515 program is to be implemented with section 8 and they take the set-asides that HUD would have for them, that is going to be a terrific increase which would far outweigh what the proposed budget increase was.

Under the fiscal 1977 budget proposal, there is no change proposed in the Farmers Home Administration level. The Agency has maintained an average of 1,149 persons, a reduction between fiscal year 1971 and fiscal year 1975. They received an increase of 400 employees in fiscal year 1976, but despite the Farmers Home Administration statement that it needs additional personnel, the administration proposes in fiscal year 1977 to maintain the 7,000-person level that the Agency expects to reach. By the end of fiscal year 1976, this will leave Farmers Home Administration with 165 positions below the 1973 level, and 699 positions below the 1971 level.

Senator CLARK. Give me those figures again.

Mr. DUNN. This will leave the Farmers Home Administration with 165 positions below its 1973 level and 699 positions below its 1971 level. Between 1971 and 1975, as a result of the Rural Development Act and the Housing and Community Development Act, the Agency has more than doubled its program expenditures, while staff levels have decreased by 15 percent.

Senator CLARK. We appreciate your comments. I might say to Mr. Naylor and Mr. Pim that if they have any different interpretations or figures, or anything, we would be happy to make those a part of the record, and we will give you an opportunity later to very briefly respond on any of the information because we would like to have everybody's judgment on it.

Mr. DUNN. If I could, that information was based on the first budget proposals that we received.

Senator CLARK. The first budget proposals that were received?

Mr. DUNN. That we received. If I could real quickly give you some summaries—I have them on one line here. We feel that there is a need to increase staff, a need to do additional research, a need to coordinate programs with other agencies, a need to assist low- and moderate-income people within the area, and one of the alternatives, we feel, is to increase revenue sharing.

Senator CLARK. Good, excellent. We are going to hear next from Roger Blobaum, who is with the Southern Iowa Council of Governments. In fact, he is a former chairman and has had an enormous amount of experience in agriculture and rural development, perhaps more than anybody I know in the field, so we are very happy to have you here, Roger, and you proceed in any way you think appropriate.

STATEMENT OF ROGER BLOBAUM, REPRESENTATIVE, SOUTHERN
IOWA COUNCIL OF GOVERNMENTS, CRESTON, IOWA

Mr. BLOBAUM. Thank you, Mr. Chairman. I appreciate the opportunity to appear before the subcommittee again as a representative of the Southern Iowa Council of Governments. As you may remember, I testified 3 years ago in Washington at your first oversight hearings in Washington. We were concerned at that time because the Rural Development Act, which had been signed into law several months earlier, was not being implemented.

Although some provisions of the act are now being used, funding levels remain so low that it still has little impact. We are not blaming Farmers Home or any other Federal agency for this failure. We do want to state that this act, which had overwhelming support when Congress passed it nearly 4 years ago, is of little help in developing our rural areas.

Over the past 3 years we have built a strong rural development program, mainly because we set priorities for our seven-county area and convinced several Federal agencies that they should help us. We now have a professional staff, an annual budget of around \$680,000, and operate both as an economic development district and as the Nation's first rural IGA.

We now have Iowa's first regional housing authority; we operate an agency on aging. We have an industrial development program; we conduct a rural transportation demonstration project; we have engineering work underway on a seven-county rural water system, and we operate a regional planning agency. Our area also has been a resource conservation and development district for several years, with funding provided by the Soil Conservation Service for a sizable list of projects.

Most of the Federal development money has come from the Economic Development Administration; the Department of Housing and Urban Development; the Department of Health, Education, and Welfare; the Environmental Protection Agency, and the Community Services Administration. It is ironic, we feel, that so little of this funding has come from the Department of Agriculture, the department that Congress designated to provide both leadership and funding for rural development.

The Farmers Home Administration did assist us in organizing the IGA, which has made it possible for the Environmental Protection Agency and the Community Services Administration to fund development work on our rural water system. The engineering studies now underway, for example, are a prerequisite to Farmers Home Administration consideration of a loan for constructing the system.

Senator CLARK. What is the IGA?

Mr. BLOBAUM. Integrated Grant Administration for funding simplification. We are the first one in the country. That has made it possible for the Environmental Protection Agency and the Community Services Administration to fund development work on our rural water system. The engineering studies now underway, for example, are a prerequisite to Farmers Home Administration consideration of a loan for constructing the system.

As you know, Mr. Chairman, Farmers Home is authorized to make sewer and water loans and grants under the Rural Development Act. This provision has not been adequately funded and further cuts are expected. We understand, in fact, that the administration wants Farmers Home sewer and water grants eliminated entirely. Even though loan money can be obtained, many of our smaller communities have large numbers of low-income people who cannot assume the burden of the kind of loan that inflationary construction costs would require. There is a definite need for some grant money in these situations and this need is not being met.

Senator CLARK. That has been the President's recommendation?

Mr. BLOBAUM. Yes. Even though loan money can be obtained, many of our smaller communities have large numbers of low-income people who cannot assume the burden of the kind of loan that inflationary construction costs would require. So there is a definite need for some grant money in these kinds of situations, many communities in our area are in that category, and this need is clearly not being met.

Senator CLARK. You think these communities would not build a sewer system if they didn't have grant money to go along with the loan money, or would they?

Mr. BLOBAUM. Well, I think that would be the realistic proposition that they would face. It has to be some kind of payout that can be amortized and the community has to be able to have water rates and so forth that the people in the community could afford to pay.

Senator CLARK. Do you have a high percentage of elderly in your area?

Mr. BLOBAUM. Yes, sir.

Senator CLARK. Do you have any statistics on that?

Mr. BLOBAUM. More than 24 percent of the people in our area are over 60—one of the highest concentrations anywhere in the Nation. Also we have a very high level in terms of low-income people, and many of them are living in small towns.

We are completing a series of housing surveys that show many of our small communities have been growing since the 1970 census. A long period of population loss in southern Iowa appears to be ending, as it is in many similar areas in rural America. The population of Kellerton in Ringgold County, for example, has increased to 330 from 299. Lorimor has grown from 346 to 377, Shannon City from 100 to 138, Van Wert from 244 to 262. Orient from 324 to 347, and Bridgewater from 188 to 253.

If this trend is desirable, and we certainly think it is, then it is time for Congress to get serious about helping these communities provide the basic services. Few of these services are more important, in our judgment, than sewer and water systems.

Our surveys also show a need for a lot of new housing. We have young people, for example, who are unable to find housing available for families. At the same time elderly people, often living alone, occupy a larger number of older family homes. The small one-bedroom units they need, and would prefer, are not available. One reason is inadequate water and sewer facilities in the communities where these small units for the elderly should be constructed.

One of our objectives is bringing new industry into the area. Although many of these industries are not water-intensive, they all need dependable water and sewer service. When they can't find it in rural

areas like ours they have to locate elsewhere. Even existing water systems in some of these communities may be in trouble. Many face costly facility upgrading due to higher standards mandated in the Safe Drinking Water Act of 1974.

We also would like to call your attention to a serious problem regarding rental housing construction. The Housing and Community Development Act of 1974 authorized Farmers Home to make rental supplements available. Tenants in rental housing projects, as you know, could get subsidies so they would not have to pay more than 25 percent of their income for rent. Housing subsidies of this kind are available to people in urban areas.

The administration has refused to implement this program, insisting that rural areas should get along with subsidies available under the section 8 program administered by HUD. The section 8 program is not filling the need in our area, and we would urge the subcommittee to do whatever can be done to make this authorized rental subsidy available to Farmers Home for use in rural areas.

The Housing and Community Development Act also provides for technical and supervisory assistance to aid low-income families in taking advantage of Federal, State, and local housing programs. These funds would be given to nonprofit or public agencies that provide this assistance. The regional housing authority that we have established in our area could use this kind of help in assisting low-income people if there were any money in that program.

We noted in our testimony 3 years ago that a HUD 701 planning grant had provided the initial funding for our professional staff. That program has been very important to us through the years in providing planning and management services.

We would recommend that because of the cutback that is taking place now in 701, that this trend be reversed by providing some funding for section 306(a)(11) of the Rural Development Act. Funding has been opposed in the past on the grounds that 701 took care of this situation. We think now is the time for moving on some funding of this kind of rural planning assistance.

We do not want to leave the impression, Mr. Chairman, that our area has not benefited in any way from the Rural Development Act. Business and industry loans obtained through Farmers Home has helped to retain about 70 jobs in one key industry, in our area, and the rural fire protection provision has enabled at least two of our communities to get some equipment. But there is a need to expand that program so they could get things like trucks that they badly need, and we hope funding can be provided there.

Now, in terms of Farmers Home staffing—I know you are interested in this particular point—we feel the agency could use more technicians in water and housing-related fields and, of course, we feel both of those should be expanded. Our local Farmers Home supervisors, we feel, are getting the applications processed. Because of lack of sufficient review staff, however, we feel it is taking too much time to get the applications approved or rejected further up the line. Also, apparently due to the heavy workload, applicants often have to wait much too long to be informed as to how it is turning out.

Three years ago we noted a lack of urgency regarding implementation of the Rural Development Act, which was enacted to put emphasis on areas like ours. Although other Federal departments and

agencies are doing much more in rural community development than they did when this much-publicized act was passed, there has been little growth in our area in the contribution of the Department of Agriculture. We feel that this should be of considerable concern to the subcommittee and hope, through changes in funding priorities and otherwise, that this problem can be remedied.

Senator CLARK. Very good, excellent. Now, you are in an area where the water is a problem, I know, in southwest Iowa, surface water.

Mr. BLOBAUM. That is right.

Senator CLARK. It is my recollection that you have developed a seven-county water system. Can you talk just very briefly about that and who funded it and how that was developed?

Mr. BLOBAUM. Well, we started off with a sign up in the seven counties to get people committed, collecting a \$25 fee to help finance it. It seems to me we raised about \$89,000 from which we are financing some engineering studies. Iowa State also has helped. I think there was \$10,000 to \$15,000 involved in their studies, which gave us some basic ideas about what kind of a system would be possible.

Then through our IGA, we were able to get EPA and CSA to help out last year, with \$35,000. The upshot of all this is that we now have full-scale engineering studies underway that will provide the information we need for a formal application to Farmers Home.

Senator CLARK. So you are hoping that Farmers Home will fund this seven-county project?

Mr. BLOBAUM. Yes.

Senator CLARK. How much do you think it is going to cost?

Mr. BLOBAUM. We don't have any figures, but it would involve borrowing a very large sum of money, Senator, and it would have to be built, not all at once, but piece by piece.

Senator CLARK. How many users would it serve in that area, do you think?

Mr. BLOBAUM. There are more than 4,000 farms signed up at the present time and that continues to increase. The system also would serve some of the small towns. One of the problems is the sources of the water. We have to have surface water and this means building impoundments, including those in the 566 watershed program. We are trying to build some rural water supply into this. A dam is being built already near Afton, for example, and we are trying to get a few more feet put on it to provide water for the rural water system.

Senator CLARK. Well, is it fair to say—it seems to me what you are saying—and this is obviously a hearing on the Farmers Home Administration—but it seems to me what you are saying is that you got organized down there rather early in southwest Iowa and that you have been quite successful in putting together a number of programs to help people in that area. It is a very rural area, as I would call it. What are the largest communities?

Mr. BLOBAUM. Creston, with 8,300, is the largest city.

Senator CLARK. The largest is 8,300 in the whole seven-county area. It is the most depopulated area of the State, I guess you could say.

Mr. BLOBAUM. Yes.

Senator CLARK. On balance, you feel you have got more assistance from the nonagricultural agencies of Government than you have from

the agricultural agencies, the Farmers Home and others, even though you say you have certainly gotten some help from them, as well?

Mr. BLOBAUM. Well, I guess one way to respond to that would be to say that at a local level, from all of the USDA agencies, we have had excellent cooperation. But further up the line, we have really had more response from the other agencies and have had some very strong commitments. This is partly due, I think, to the IGA, where our area is now looked upon as a pilot area and where the agencies are really trying to do a good job and work with us.

Senator CLARK. To integrate these grants or loans?

Mr. BLOBAUM. Yes. I think one reason that we were able to get into this position is that we have more than 150 citizens in the area who serve on our various boards, all under the umbrella of the Council of Governments, and this results in a high level of citizen participation.

Senator CLARK. There are 150 people in that area who are part of this?

Mr. BLOBAUM. Yes.

Senator CLARK. The advisory part?

Mr. BLOBAUM. These are people working on it, committees on aging, industrial development, water systems and so forth. Most of these are groups of people organized at the county level and then organized at the regional level as well.

Senator CLARK. What is your greatest single need in terms of what the Farmers Home Administration could provide for you that you feel that they are not providing now adequately?

Mr. BLOBAUM. Well, our greatest single need, of course, is a speedup on our water system, but I think at the present time that is coming along. Our next highest priority is housing. I believe that if we could find a way to get elderly people into the small units in the small towns so that we could open up a large number of family-sized homes in the small communities for young people with young families, that this would be a very, very important thing.

Now, there is a tendency to say that if you are going to build these kinds of smaller units for the elderly, you ought to move these people into Creston or move them into Osceola. Many of those elderly people don't want to move to Creston or Osceola. They want to live in their home towns of Bridgewater and Orient and Van Wert and all of the other small communities, and we feel that is where they ought to be able to live.

Senator CLARK. Thank you very much. I appreciate it.

I am going to ask Bill Thalacker of Ridgeway to come on down. I think we are going to have two at a time here, and I will try not to interrupt you so much, and I will take your testimony, and then we will have questions afterward.

First we are going to hear from Julius Roths, who is from the Northwest League of Municipalities. He is a man from Rock Rapids, and you proceed in any way you think appropriate.

STATEMENT OF JULIUS H. ROTHS, PRESIDENT, NORTHWEST LEAGUE OF MUNICIPALITIES, ROCK RAPIDS, IOWA

Mr. ROTHS. Thank you, Senator. I, as the Senator has mentioned, am president of the Northwest Iowa Municipalities, and we cover 27 counties and 170 communities. We meet monthly, go over our prob-

lems, which are immeasurable, and, of course, we constantly and consistently look to the Rural Development Act because this is one of the areas where we could probably get some help in as a vehicle, and FHA is another vehicle because in most of these communities, we have a lot of difficulty.

We have got towns of 30, 40 and 50 people that are members, up to Sioux City, which is a member. Our big problems are, for example, like HUD, they are urban oriented. They are not receptive to our rural problems.

I will give you an example. In the last go-around, I know of 15 counties and 2 regional councils of governments that had 43 applications. They got a grand total of a goose egg for dollars. There is a lot of time and effort, and everything else, that went into these programs by the mayors and the council members, and it just seems that something has to be changed in that area.

I every month look at very frustrated mayors and very frustrated councilmen because they just don't even know where to turn any more. I can think of the mayor from Schleswig. He wanted a lousy \$34,000 to save his railroad station, which was the oldest one in the State of Iowa. He had nowhere to turn, and they told him to put in for a HUD grant. He doesn't know where to turn, and I don't know where to tell him to turn.

I get into FHA, into the housing thing—

Senator CLARK. You say "FHA." That could mean Federal Housing or Farmers Home. Which do you mean?

Mr. ROTHS. Well, we will get into the housing end of it, into subsidized housing. The last speaker commented on subsidization, and it is really vitally important. For example, Rock Rapids was very fortunate in getting 56 section 8 units in town. I would probably dare to say I have had 50 applicants from out of town who have called me saying, "Can I get in?" These have come from Minneapolis to I-don't-care-where. I have had calls. They want to move into town. That isn't going to take care of my problem.

We are concerned about our own community, but we also, it is quite apparent, have to be concerned about our county because I can't turn my back and say, "You can't let any people from Larchwood in," and the people from Larchwood don't necessarily want to come in, but they can qualify. What do we do? I think FHA should take a careful look at this. It doesn't take you very long to detect that they don't particularly care for these programs, and I guess I can agree with them in a way, but this does not help the elderly of these small towns like Larchwood.

Not only that, those small towns can get into that housing much, much cheaper than what you can in Rock Rapids or in the larger communities. You can go to Little Rock, and they will give you a whole block for nothing if you come in. In Rock Rapids, I don't know what it would cost you; No. 1, it isn't available and No. 2, I don't think we should have all that housing in our community. Sure, we would like to have it, but in all fairness to the smaller communities, they should have a part of it.

If you watched the news the other evening and saw \$70 million worth of section 8 housing being torn down in St. Louis—if we could have stuck that in our site, we wouldn't have any problems. Our

people just operate better than that, and I think this Rural Development Act should be funded more because we just don't have the problems that these larger communities have.

You can go to many of the communities and it is very disheartening to hear that FHA isn't pushing the grant program harder. You get into these sewer grants, these water problems that many of these communities have—I have got a little community right here, and I could name you 50 of them, I suppose, that are having basically the same problem. To give you an example right off the top of my head, Rock Rapids is going to redo their sewer system, and it is going to cost approximately \$3.50 per user. Here is a little town, and it is going to cost them \$18.55.

Senator CLARK. Per user?

Mr. ROTH. That is if they get every grant that they can absolutely hope for, if they are successful in every one of them. Is it fair to this little community, or can't FHA come in with some grant money and help them along?

Yes, we would like it too, but I certainly think that they are more fully entitled to it and should be given another look at, and not only this community; there are many others that are looking at much higher rates than this because if one of these particular grants falls through, I don't even know what I would tell you. I haven't figured out what it would cost per month for these people.

I am going to conclude because I see my 6 minutes are up, but I guess in conclusion, I would like to say that our people have always had the attitude that we don't want any more than the other communities, but we would really like to have our share, and I thank you, and I thank you for holding the hearing.

Senator CLARK. I appreciate it. We will hear now from the Reverend Bill Thalacker, who is from Ridgeway, Iowa, which is up in Winneshiek County.

Ridgeway, Iowa, is a small community, I guess, of about 500?

**STATEMENT OF REV. WILLIAM THALACKER, CHAIRMAN,
RIDGEWAY RENTAL HOUSING, INC., RIDGEWAY, IOWA**

Reverend THALACKER. About 225 now.

Senator CLARK. Currently 225. All right. You are with the Rental Housing, Inc.?

Reverend THALACKER. Yes.

Senator CLARK. What is Rental Housing, Inc.?

Reverend THALACKER. Well, Ridgeway Rental Housing is a non-profit corporation that is composed of the citizens of the community who have gone together and have memberships in the corporation. It is the standard nonprofit corporation that makes application for and develops rural rental housing programs in small communities.

We have about 80 family units involved in our project, in a town of a population of 225 in a rural area, but it is also relatively limited because we are between Cresco and Decorah, which had their own programs, which we think is a substantial amount. We have a high level of community involvement and community interest in our local programs.

Now, I don't know if you want me to proceed with that or if you had other questions.

Senator CLARK. No, just proceed in any way that you are prepared to. That is what I want to get into the record.

Reverend THALACKER. OK. Let me divide what I am going to say into good news and bad news.

Senator CLARK. Which are you going to do first?

Reverend THALACKER. Let's give you the good news first, if that is fair. We want to say, first of all, that we are very grateful for the development of the Rural Development Act and in particular its application to sewer development. This, in the town of Ridgeway, has really made it possible for us to have some other community developments, including work on streets, water maintenance and also in housing.

Up to the time that our sewer system was installed in the community of Ridgeway, in about a 20-year period there was no new housing development at all. Since that time we have been able to construct—there are presently constructed and occupied, six new homes. There are two more planned, and in addition, we have our two housing units. This has all been since 1970, so we have experienced in our community very favorable developments as a result of this particular program, and we are most pleased with what it has meant for us in our community.

I wanted to say also in terms of good news that we have had very excellent local cooperation and assistance from Farmers Home Administration persons. I am not making reference to the other particular program.

Senator CLARK. Now, you are probably served out of Decorah?

Reverend THALACKER. We are served out of Decorah, that is correct. When we have questions, or when we have had problems in writing up applications for loans, that kind of thing, they were very helpful. Questions have been answered promptly. Our district director in New Hampton has also been very helpful, as well as has our building inspection supervisor, Mr. Van Sickle, and Mr. Lower in Decorah.

The second thing I wanted to say is, there has been an obvious concern on the part of all the Farmers Home Administration officials with whom we have had contact to accommodate and to expedite delivery of the system in what we regard as the best way possible. We would guess there are probably limitations in terms of their delivery systems, but they are more familiar with that than we are, and they have also expressed to us a concern for the evaluation of their own systems. They have asked us, for example, "Have your inquiries been answered promptly?" We have to say that they have been very helpful.

Third, I want to say that we have observed an obviously consistent administration of the policies that have been established, and here we get to the bad news. It is in the consistent administration of those policies that there is also a certain area of inflexibility that fails to be responsive to local situations as local boards express those things or their problems to the Farmers Home Administration. In other words, we feel Farmers Home Administration gets locked up in policies, and in getting locked up in their consistency, they are

unable to respond to the opinions of local boards who are actually on the scene and who have some idea, we believe, of what they want in terms of delivery.

Senator CLARK. I don't know what you mean.

Reverend THALACKER. OK. Well, let me explain. We have built housing projects under FmHA specifications and plans and inspections. Our first unit had four 2-bedroom units and one 1-bedroom unit. That was as requested by persons who were signed up for occupancy. Our experience with that break on housing units has been totally favorable, and when we wanted to construct our second unit and do it the same way also, on the basis of requests, we were informed that that particular break on doubles and singles was not approved by Farmers Home Administration officials on a higher level.

Senator CLARK. I see, I see.

Reverend THALACKER. OK. In order to do that, in order to facilitate building, we went along with those guidelines, and we said, "OK. We will build what you want us to build this time," because we were already anticipating a third unit. We have a waiting list in our community, which is in contrast to neighboring communities who have vacant apartments sitting there, and, therefore, when we wanted to develop our third unit, in the discussion of this, we have again been told that it will not be possible for us to build what we, on the local board, believe to be necessary, and that is a minimum of two 2-bedroom and two 1-bedroom units.

Now, I want to say a little word about why we do that. We are in a rural situation, and we have a lot of people who come from farm homes where maybe grandpa and grandma have lived all their lives, and they have had room to spread out a little bit, and to put those people in 1-bedroom apartments, or even to put grandma in a 1-bedroom apartment when she expects her daughter and kids from Dubuque every other weekend to come and visit her and have some place to accommodate them and some kind of homelike atmosphere, is just out of the question in 1-bedroom facilities.

Senator CLARK. You think the local community ought to have a little more control?

Reverend THALACKER. Absolutely. We do not think that if you give it to us—we think our senior citizens deserve the kind of housing facilities at the end of their long period of service to our communities that gives them some kind of sense of dignity and self-worth, and doesn't put them in a 2-by-4 box.

There are other things I could comment on, I guess.

Senator CLARK. Well, we would be happy to have any other comments that you have for the permanent record, if you would like.* Thank you very much for coming down. We appreciate it.

The next two witnesses we are going to hear from are Arthur Brown from Bronson and Irvin Joy, who is a planner from SIMPCO, from Sioux City.

Mr. Brown is here representing the city of Bronson. He is the mayor. How big is Bronson, and where is it located, for the record?

*See p. 81 for prepared statement of Reverend Thalacker.

STATEMENT OF HON. ARTHUR B. BROWN, MAYOR, CITY OF
BRONSON, BRONSON, IOWA

Mr. BROWN. Well, in the census of 1970, they had 193.

Senator CLARK. A population of 193, OK.

Mr. BROWN. We just completed a new one, and we are up to 242.

Senator CLARK. Where did you get all the growth?

Mr. BROWN. Well, we are just growing. Sioux City is a suburb of Bronson. They are just to the northwest of us about 10 miles.

Senator CLARK. That is a 22-percent increase since 1970, or something.

Mr. BROWN. Well, I think they missed a few then.

Senator CLARK. I see.

Mr. BROWN. Thank you, Senator Clark, for this opportunity. Ladies and gentlemen, I am not a public speaker, so I am just going to talk.

This is an honor for me to talk about the Farmers Home Administration. We are one of the oldest towns in Iowa, but we are still one of the newest. We started our incorporation proceedings about 10 years ago, and I am going on my seventh year as mayor right now.

I worked through Mr. Pim, Mr. Scott and Mr. McAllister in the State offices, and our local man up there, supervisor, Mr. Bennett, who I understand is ill and maybe I shouldn't talk about him, but we didn't have too much success with him, but when I called Des Moines, we got action, and we got our water system financed through Farmers Home Administration.

We had a \$65,000 loan, 40 years, 5 percent, which is, I must say, working out great, and we also received a \$20,000 grant at the same time. In order to get started originally, I had to make a call or two to Washington to the man that you replaced there, and he got the ball rolling, but since then, I can't complain about that. I do think they have some good programs, if they were funded and administered properly.

I think there should be more programs or more money available to the smaller communities. It seems as though the larger communities and HUD and everything else gets the lion's share, and as I always said, I am just as equal as anybody else. Nobody is better than I am, and they are no better than me, and so I do think small cities need money, I mean small like we are, 200 population and up.

We need a sewer system, and I know some towns need water systems, and some of the environmental programs—they suggest that we do certain things, but where are we going to get the money? As I told you, we are a small town, city. Our tax base, we are asking at this time, is approximately \$7,000, so if you have to put in a \$300,000 sewer system, you have to get the money somewhere.

As of the 1970 census, we had 52 people in town or 26.9 percent below the poverty level.

Senator CLARK. What percentage?

Mr. BROWN. A percentage of 26.9, almost 27 percent, below the poverty level. We had 6 or 3.1 percent overcrowded facilities, and we have nearly 25 percent of our population that are elderly people mostly on social security or fixed income.

You wanted to know how we were growing. Since it thawed out this spring, we have four new houses being developed now, and we have prospects of from 15 to 20 more within the next 2 years.

Senator CLARK. Now, I live in a town of 480. You are going to be catching us if we are not careful.

Mr. BROWN. Well, if we get a few more of the rich people from Sioux City. As of now, we have a preliminary report or correspondence from the Farmers Home Administration in the Des Moines office that a grant and a loan would be available for our sewer plant. As I understand, they have estimated that it would cost each user around \$11 a month, and when you have a fourth of the people on fixed income and social security, we don't see how they can afford it so, therefore, we think there ought to be more grants and larger grants for these people, like my friend from Rock Rapids said about the little town.

Senator CLARK. Now, you are in need of a sewer system, is that right?

Mr. BROWN. Yes. We have none.

Senator CLARK. Suppose there were no grant programs. Could you build it?

Mr. BROWN. No.

Senator CLARK. You think the users' fee would be too high for the people that you have?

Mr. BROWN. Yes, I am sure it would be. I feel the Farmers Home Administration should make larger grants available to small towns so projects may be completed for the health and the welfare of the citizens of rural America and the small towns of this great country.

Senator CLARK. Excellent statement. Thank you.

Mr. BROWN. Thank you. I do have a question or two. Maybe Mr. Pim could answer it.

Senator CLARK. Why don't you throw them out? They are going to be back, and maybe they can answer them.

Mr. BROWN. I want to know why Farmers Home Administration will approve loans on the outskirts of a small city, as we are, that has the same plumbing facilities that we have in town, only we do have a water system and they have the old well. They will approve them and not approve ours.

Senator CLARK. I am not sure that I understand your question. Will you restate it?

Mr. BROWN. Well, we have people that want to borrow money on a house in Bronson, say. They are turned down. We don't know why, whether it is because we don't have a sewer system or why, but on the edge of town, a quarter of a mile away, they will approve a loan for them, and we wondered why. We aren't the only communities I have heard this from.

Senator CLARK. Good. Do you have a second question?

Mr. BROWN. No.

Senator CLARK. That is the question. OK. Good. Thank you very much. We appreciate your testimony.

Irvin Joy is here representing SIMPCO, and is a planner from Sioux City, I believe.

STATEMENT OF IRVIN D. JOY, PLANNER, SIOUXLAND INTERSTATE METROPOLITAN PLANNING COUNCIL (SIMPCO), SIOUX CITY, IOWA

Mr. Joy. Thank you, Senator. The SIMPCO council, consisting of 31 voting members, who are mayors, board of supervisors, members of planning and zoning commissions, would like to personally thank you for your continuing efforts in investigating the Farmers Home Administration program. We are hopeful that the facts that are presented to you here today, at this hearing and future hearings, will be of such magnitude that will assist the Federal Government in getting to work to develop programs and financial capacity to better meet the needs of local rural Iowa people and all rural America.

Senator CLARK. Fine. What does SIMPCO stand for?

Mr. Joy. SIMPCO is the Siouland Interstate Metropolitan Planning Council, which has jurisdiction over five counties delineated by the State.

I will go ahead.

Senator CLARK. Go right ahead.

Mr. JOY. The Siouland Interstate Metropolitan Planning Council is a council of governments with an area planning jurisdiction in Iowa, Nebraska, and South Dakota. On the Iowa side, we have the five counties of Woodbury, Monona, Plymouth, Ida, and Cherokee. In Nebraska we have Dakota County, and then in South Dakota we have Union County.

When the Rural Development Act was passed in 1972, we viewed that legislation as a milestone for the development of rural America. We testified at length at the original hearing held in Sioux City on May 3, 1971. The various titles of the act provided the mechanism for our member cities and counties to develop their communities, but unfortunately, the act never has received the necessary funding.

Consequently, our members have not been able to provide necessary community utilities and facilities. There is not sufficient local financial capacity to satisfy the needs.

Our experience with the current Farmers Home Administration programs indicates that they could be improved in the following ways:

1. Implement the rural rental housing program. Rural communities are in great need of decent, safe and sanitary housing for the low income, particularly the elderly. However, the low-income elderly cannot afford the rent demanded for the units, even when low interest financing has been available to reduce the rent. Farmers Home Administration should implement the Rural Rental Housing Program, section 515, for which funds have already been allocated by Congress. The Department of Housing and Urban Development's section 8 housing assistance payments program does not seem to be a viable alternative.

2. The housing programs of Farmers Home Administration must be available to the home buyer. Additional area staff may be needed to process the applications and assist rural families in buying or remodeling a home. An alternative to more staff would be to train local volunteers and local governmental staff, such as SIMPCO, to assist in the processing of applications and truly provide help to the home buyer.

3. Farmers Home Administration must work closely with local planning agencies on their housing programs. Councils of Governments are in a position to assist FmHA in the delivery of housing programs, especially considering the 1977 housing and land use mandates.

4. The Farmers Home Administration must administer the other title of the program in a more efficient manner.

Congress should either fund the titles or deauthorize them; insure that the Department of Agriculture administers the programs within the interest of Congress or give the programs to another agency; if the above cannot be achieved, maybe the titles should be abolished and funding for them shifted to a concept similar to revenue sharing or block grants.

That is the end of the statement, Senator.

Senator CLARK. Just leave them right there.

Mr. JOY. Senator, I would also like to introduce Mayor Ray Mann of Sergeant Bluff, Iowa, who also has written testimony, and he is sitting in the back of our area, and I would also like to introduce the mayor of Salix.

Senator CLARK. Where is the mayor of Salix? I walked through Salix, and I think I remember you.

Thank you. It was a good statement, and it is a strong statement, and I might just say that I am in the process here of looking through the funding recommendations for this year compared to last, which I want to make some comments on later, but I tend to agree with you on the question of the 1972 Rural Development Act. There are so many parts of it that have never been implemented at all and so many parts that have not been funded that I think that is much of our problem. Thank you very much.

STATEMENT OF HON. RAY MANN, MAYOR, CITY OF SERGEANT BLUFF, SERGEANT BLUFF, IOWA

Sergeant Bluff, Iowa, with a population of approximately 2300, is the fastest growing community in Northwest Iowa. It borders Sioux City on the South and East. Thus, we live under the influence and shadow of "Big Sister" up the road.

Some of our major problems are: (a) Sewer lift station and interceptor lines, (b) Surface drainage, (c) Storm sewer system, (d) Water treatment plant and wells, (e) Pedestrian crossing for school children, (f) Community building, City Hall, and Fire department, (g) Reconstruction of Rural roads within an Urban area, and (h) Proper street lighting.

First, we are in favor of any and all Regional Planning, and/or construction of facilities that benefit and service the entire population within the region, for these are Tax Dollars saved by all.

Example.—1. The Regional Sewer Station built in Sioux City with Federal Funds, to service Sioux City, Sergeant Bluff, South Sioux City, and North Sioux City. Since this station was built within the City limits of Sioux City, it is owned and operated under the direction of Sioux City. Thus, Sioux City tries to dictate sewer rates to all using communities, that are commensurable to their own rate.

Examples of these rates are: South Sioux City, \$0.05 per thousand gallons, North Sioux City, 0.13 per thousand gallons, and Sergeant Bluff, 0.33 per thousand gallons, plus a user charge of 25% of the total bill.

South Sioux City and Sioux City have been in negotiations for over a year, trying to come up with a realistic rate for all users. We have suggested several times to Sioux City that all communities be involved in said negotiations, since the rates affect all, but have always been turned down by Sioux City.

It is the belief of our citizen's and council that all governing bodies should have something to say about the operation of this station since it was built with Federal Funds, and we pay our fair share towards the operation and maintenance of said station.

Being affiliated with this station has jeopardized this community's chances in obtaining any Federal Subsidence of it's own to modernize and expand its own system. We requested through HUD and DEQ for \$20,000 for a Sanitary Sewer Study which must be laying in some "IN" basket somewhere. We also requested \$270,000 for the construction of a new Lift Station and Sewer Line Interceptors, which DEQ said couldn't even be considered for Funding until Fiscal 77.

This new lift station is needed in the community no later than the Spring of 1977. Thus, again the local Taxpayer will have to dig down and pay for this station through Special Assessment and General Obligation Bonds. The NEED for this station is to service the new two and a half million dollar high school now under construction, a new housing development, consisting of ninety-three homes, and to connect existing homes within the City limits that now must use septic tanks.

Again the Black Shadow of Sioux City hangs over our heads. Our citizens ask why can't we receive Federal Grants when Sioux City just received \$3.9 million for Urban Renewal, \$14.25 million in Federal and State Aid for secondary sewage treatment, and \$43,401 reimbursement from DEQ for a sewer line and lift station overhaul at the Airport.

Senator, I am sorry to have taken up so much of your time, but we have very unique problems in Sergeant Bluff, and believe me, the Council and Citizens of this Community would be most appreciative if when you are in the Northwest Iowa area you could find an hour or so of your busy schedule to visit Sergeant Bluff and see some of our projects and problems first-hand.

We have extended this invitation to Congressman Bedell also, but so far he hasn't found the time for us in his numerous trips to Sioux City. I do feel it is important to our Community that one of our Representatives see our problems first-hand and I would like to solicit your help and/or opinions on how to handle the Federal Bureaucracy.

Thank you.

Senator CLARK. We are going to hear next from Mr. Ray Nizzi and then I think we would like Dwight Willard also to come down. We will hear first from Ray Nizzi, who is chairman of the Central Iowa Regional Council of Local Governments.

STATEMENT OF RAY NIZZI, CHAIRMAN, CENTRAL IOWA REGIONAL COUNCIL OF LOCAL GOVERNMENTS, WAUKEE, IOWA

Mr. NIZZI. Yes, Senator. Terry Smith, our director, was supposed to be here, and a couple of nights ago he called and said he was going out of town, and asked me to be here. With such short notice, I couldn't get too much together, but actually I will speak from the experience that I have had in city government.

Senator CLARK. Where are you from?

Mr. NIZZI. I am from the city of Waukee. I am the city administrator. I have been there since 1967.

In one way I want to congratulate FmHA for doing an excellent job in housing. In fact, I think they have done too good a job. They have caused us a lot of problems in our smaller communities. They come in and gave loans for homes, brought in low-rent housing, but failed to look at the principal objects of sewer and water problems that those cities have. At the same time we could go to them and ask them for funds, and they were not available. It seems funny that they were available for housing and none for the cities who have problems.

The gentleman before me has hit on about the same things that we have had problems with. The availability and information pertaining to Farmers Administration funds and priorities of the use of those funds are not readily available to our local officials. The formula under FmHA is to establish a loan of 40 years, and I think that is too long. Actually the volume of people that know about the bonded

money all claim that bonds should be for shorter terms. I can speak from experience.

In my city, we tried to get money, and we couldn't, so we went on our own, and I think that actually we all should go on our own if we can. We have got loans of 4.9, 4.5, 4.3 on conventional loans, actually FmHA they have at 5. We retired our loans also in from 5 to 10 years, instead of 40 years, and I believe actually that if the communities can finance their own, they should.

Loans have been given to communities that actually had no debt at all, and this deprived other communities that have debt from receiving money, because none is left.

We have just finished a well in the city of Waukee that actually will pump 1,000 gallons a minute. We did it with \$225,000. A community not far from us put in a well that actually will pump approximately 30 million gallons a year, or around 100,000 gallons a day, and their cost was \$650,000. This is money that actually, I think, is being wasted, that actually could go into communities that need it.

Also on our \$225,000 project our engineering fee was \$6,380. This same community had an engineering fee of over \$80,000. Now, just figure what \$80,000 could do to some community that needed money. I think that actually we should take a hard look and see that towns that need it and cities that need it should have priorities over those that do not have debt.

Also I believe that actually the elected officials should have more power. I think that we waited long enough. We have been committed for 10 years, yet no money and I think there are going to have to be some changes made allowing grants for sewer and water.

As I said, FmHA has done a beautiful job in housing, but I think we are going to have to put the money back in the hands of elected officials or maybe to regional councils for water and sewer where they can deal with their problems as a group and plan ahead. We cannot go just blind down the street.

Senator CLARK. You think that more of the money ought to be spent on the water and sewer programs?

Mr. NIZZI. Right, because this is our main problem, that actually every time a loan is made to homes—just like in Waukee. We had this 21-unit—which we needed—for the aged, but this also created a big problem to us because we do not have adequate water storage, but they didn't come to us and say, "Now, if you do this, we will help you." They said, "There are no funds available."

I also know many communities, since I have been chairman of the Central Iowa Regional Council, which were in real bad need. They have waited for years. They had commitments years ago. They could do it for \$60,000, and now it is \$200,000, and this has been a waste of money, which is your money and our money, because we have all paid for this, and I think it has to come to a point where we are going to take a different look.

Also in this short-term loan newsletter, November, of Evanston & Associates, it recommended that loans could be had at a cheaper rate if they could be shorter rated, so I believe that actually a 40-year base is a long way down the road to have our banks tie up money. We have no problem—and I don't think any of the communities have problems—getting financing if they had grants, and maybe this is where the

market—where FmHA should go into, to grant money, and leave the loans to people that actually know the loan business.

That is all.

Senator CLARK. All right. That is a strong statement, and we appreciate having it very much.

We are going to go next to Dwight Willard, chairman of the housing authority in Spencer, Iowa. You proceed in any way you think appropriate.

STATEMENT OF DWIGHT F. WILLARD, CHAIRMAN, HOUSING AUTHORITY, SPENCER, IOWA

Mr. WILLARD. Thank you, Senator. You will note that my occupation is a banker, and I have had several problems with Farmers Home Administration where we have pooled our resources and knowledge and handled very effectively, and I think the program—in general, I would have nothing but compliments for it. They have done an excellent job.

Our correspondence started many years ago, as you remember, because of a problem we had in our local office up there, but it was handled very well and very effectively and very efficiently, and I appreciate it.

I am here today as a representative of one of the cities of between 10,000 and 20,000. For the third time in 1975 the city of Spencer was rejected—was not accepted for low-rent housing for the elderly. This is the third time they have applied. They applied in 1973 and were accepted, but at that time the funds were cut off, and again we were not allowed the privilege of a grant to assist us in housing for our elderly people. In 1975 there were, I believe, six or seven communities in northwest Iowa that were accepted, and all of them were under the 10,000 population figure. Spencer is about 10,350 in population and a very progressive, energetic community.

I think probably one of the main reasons why we were rejected—were not accepted—I hate to use the word rejected because they do it on a point system, and I agree that there has to be some way to judge communities—but the reason that we were not accepted pertained to the site, physical site on which low-rent housing could be erected that would have all the amenities to handle the people in that elderly bracket. I think this is caused because of the progressiveness of the businessmen in the communities, as they have snapped up and used all of those sites that meet the amenity requirements of the HUD program or the Farmers Home Administration program. I still realize there has to be some reason for setting those particular criteria, but sometimes they seem just a little bit stringent, and in this particular case I feel that it did impair our chances of being accepted.

Spencer also was very energetic in the procurement of industry. We have, for instance, acquired Eaton Corp., which is the company that owns Yale Lock. We have Superior Manufacturing, and we have Spencer Foods, and everybody knows what Spencer Foods is. We have many industries that have moved into our area, and they have a definite need for people in the laboring class, and the housing is just simply not available in the Spencer area, so we need some way to move the elderly people out of their established homes and into some type of low-rent housing.

We had one group of private citizens in 1964 that were able to band together as a corporation, and they built what they called Sunset Retirement Home. They have 51 units. They filled the unit for the first time in 1968, and their occupancy has been almost 100 percent since then, and they now have a waiting list. They had 99-plus percent occupancy in 1974, and 100 percent occupancy in 1975. In other words, there wasn't even hardly a day that one of these apartments weren't filled, so we definitely know the need is there.

Now, this particular corporation has enough ground on which another installation could be built of one or two times the size of the 51 units that they now have. They have approached Government financing already. This particular plan is under a 202 plan, they said, and I know nothing about that because that was before my time of interest, but this Sunset Retirement was built in 1965 or 1966. They have enough ground to increase its size two or three times, and the problem today is, they say, that they can't get a release of any of the ground that is now under a mortgage under the 202 plan in order to proceed on building under a new Government division or grant system of some sort, so I guess I would like to ask this question: It is a question to me of whether the Government is our left hand or our right hand, or is it the joining of both hands?

I feel that there should be some way that you, through your office, sir, could assist us in getting a joining of the Government programs, so that what we now have we can increase on and improve the situation that we have in our particular location. We have the 202 plan, and the present home has been very successful. They have set aside \$40,000, for instance, for maintenance and repair, and since the building was very well put together originally, it has been profitable for them, and this money is simply in the reserve account. They have also acquired some other funds that they could put into the actual erection for the down payment on a new installation, if it were possible.

They seem to be bumping into a brick wall as far as getting the release of the ground for the erection of an additional building.

Senator CLARK. So to be very specific, Mr. Willard, what do you feel that the Farmers Home Administration or the Federal Government could do that would be most useful to the community of Spencer in terms of housing?

Mr. WILLARD. In our case, it would be to some way or another approach the 202 program and get a release of the mortgage or the security that the Government has on the ground that they now have and allow us to erect additional low-rent housing for the elderly on the same site. I don't know whether this could be done through the 202 program, which I understand is still a viable entity of our Government funding program under a low rent, low interest, I am trying to say. I think their interest now on their loan is at 3½ percent, I believe, on the one that they put together in 1964. I am sure that interest wouldn't be available at that rate, but if they could some way or another let us erect a building on the same site under maybe a higher rate of interest but with some subsidies through the Farmers Home Administration, I believe this could be accomplished.

Senator CLARK. Well, we are going to have a 5-minute break here in just a moment because I don't want to wear this young lady out, and I hope that you might visit with Mr. Naylor and Mr. Pim and see if we can work something out that would be acceptable.

Mr. WILLARD. I have a printed statement that I would like to submit.*

Senator CLARK. Good. It will be put in the record.

At this point we will take a 5-minute break, literally 5 minutes, and then we are coming back with Marjorie Wetherill and Robert McConneelee as the next two witnesses. We will come back in exactly 5 minutes.

[Short recess.]

Senator CLARK. The hearing will come to order. We are going to hear next from Marjorie Wetherill, who is a housing counselor with the Hawkeye area community action program in Cedar Rapids.

**STATEMENT OF MARJORIE WETHERILL, HOUSING COUNSELOR,
HAWKEYE AREA COMMUNITY ACTION PROGRAM, CEDAR
RAPIDS, IOWA****

Ms. WETHERILL. Thank you very much, I appreciate being here. I am here because in my capacity as a housing coordinator I work with a winterization program, and I am dealing with people who qualify under OEO guidelines to have their home winterized, and we have a limited amount of money we can spend per home, so when the roof leaks or the furnace is faulty, we encourage the people to seek a FmHA 504 home repair loan.

This takes lengthy discussion and actual help completing the forms. The people don't feel really capable of completing these forms. Practical help is probably the most important part of it, sitting down and asking them a question and reading the form and filling it out; however, after the applicants have gone through all of this, they are reluctant to file these forms because they don't feel that they can go into debt and have a repayment schedule even though it is minimal under the 504 plan. They can't afford it on their minimum incomes. This is a very serious problem. I hear other people saying that they would like to get the elderly out of their homes and into subsidized apartments so they can have those homes for families. Many of the homes I am dealing with are small. They aren't adequate for anybody but the elderly, and the elderly are very reluctant to leave their homes. They don't want to go into these subsidized apartments, and one of the apartment units in our area has just sent out a \$30 a month across-the-board increase because utilities have gone up. The people are frightened because with their \$177 a month social security, plus supplementary security income, they don't feel they are going to be able to pay the rent, so I am looking at it with a little bit different attitude.

I also feel that the Farmers Home staff should be expanded to reduce the time that it takes to process the loans. It is taking from 4 to 5 months in many instances, which is entirely too long.

Senator CLARK. Five to six months?

Ms. WETHERILL. Yes. What happens is the clients fill out the forms and send them in, and a month or two goes by, and then they get a letter saying, "We need this information," and so they get the information together and they wait another month, and they get another

*See p. 71 for prepared statement of Mr. Willard.

**See p. 74 for additional material supplied by Ms. Wetherill.

letter saying, "Oh, but you omitted this," and this is, I feel, in a way, a way of stalling them, and I think that sometimes when a quarter's fund have been spent and they have to wait until the next quarter, that they should be very forthright in saying that that is where the problem lies.

Senator CLARK. I agree with you. I happen to serve on the Aging Committee, and if you talk with people who are growing older, you find constantly that they would prefer to stay in their homes, for obvious reasons. I imagine we all feel that way. Often their homes need repair or they can't even continue to live the rest of their lives there, so you are talking about that kind of loan program?

Ms. WETHERILL. Yes. I am talking about the home repair loan. Under our program we can insulate, and we aren't going to insulate a home if the roof is leaking, and a roof estimate is going to run \$800 to \$1,000. It is beyond what my winterization program can handle, and it is a very definite need.

Senator CLARK. But many of these people feel that they just could not even pay that loan back, and so they don't go ahead with it?

Ms. WETHERILL. Yes. At this point we have comprehensive employment training help (CETA), and I have allowed some of my workers to do this work, if the people can come up with the money for the roofing material.

Senator CLARK. So, in other words, you are saying at a very cheap price you could possibly keep these people in their homes?

Ms. WETHERILL. Yes.

Senator CLARK. What is the solution? Do you think there ought to be grants instead of loans?

Ms. WETHERILL. Well, I think somewhat, although I am reluctant to subsidize everybody also. I think—and I know elderly people get upset about a lien—there is nothing wrong with a lien against the property. In some cases you are not even going to receive the value of the loan. When the children don't come forth and help the elderly, then something or someone has got to. Now, I know the elderly don't want a lien against the property. They want to leave something to their children. I feel that it is one way for the elderly to stay in their homes, and I think that it has to be looked at fairly and squarely from all sides.

Senator CLARK. Thank you very much.

Ms. WETHERILL. I want to say just a couple more little things. I am also very interested in seeing that the sewer and grant program is funded. I am running into the same problems that others at this hearing are running into. It is necessary that these small towns, that are primarily elderly and low income, have more help than they are getting now. The figure \$18.75 a month sewer service that somebody else here used is the figure that we have come up with for a little town in northern Linn County.

Senator CLARK. The user fee would be \$18.75?

Ms. WETHERILL. Per month, and better than 50 percent of that town is elderly, and a good portion of those are low income, and people in the town are now getting threats from the Linn County Board of Health because the effluence is running on the surface, and the towns people are afraid to take the first step for a sewer grant because they don't feel they can afford it, this is a very important need in rural Iowa.

One other thing that I would like to say is that we would appreciate it if a structured outline were put together so that clients would be able to find out who they could contact if they were unhappy with the treatment they receive at a local level. I have found there are some FmHA county supervisors who intimidate the poor and the elderly, and I think they need to know they have some place to go, simply, without asking for any more harassment.

Senator CLARK. An easier kind of appeal?

Ms. WETHERILL. Yes, yes. I thank you.

Senator CLARK. It has been very useful testimony, and I appreciate it.

Robert McConnelee, Chamber of Commerce in Perry.

I think you have a housing authority in Perry; don't you?

**STATEMENT OF ROBERT L. McCONNELLY, REPRESENTATIVE,
CHAMBER OF COMMERCE, PERRY, IOWA**

Mr. McCONNELLY. Right, right. I am the executive director also.
Senator CLARK. Good.

Mr. McCONNELLY. First, I would like to say that when urban development was created, a person from our town appeared and testified. I think the reason was—at least the way he explained it to me, and he was speaking for the American Bank Association at that time, Mr. Tom Smith now at Marshalltown—I think they wanted to prevent any duplication of the bureaucracy. I don't think that they intended the Farmers Home Administration could administer, expedite, and deliver all the additional things in the title without additional help; as you said, it would probably be impossible. I can't talk for Mr. Smith. He can talk for himself I am sure.

My real concern now is that we applied for and were granted an application for 24 units of housing for the elderly. Farmers Home Administration loaned the money, and to make it truly low-rent housing, we had a section 23 grant or subsidy program from HUD. We have experienced a great deal of difficulty. I don't think it was the fault of any particular person, but it has been difficult to coordinate the rules, regulations, and requirements of these two agencies.

Right now the project is completed, but we have failed to get acceptance from HUD so that we could move the people in. Right now this project has been standing empty for over 30 days; that is very conservatively stated. That means that over \$5,000 in rent has not been forthcoming.

The builder is a nonprofit corporation, and I have handed in a statement from the president of that corporation, Mrs. Jean Barnoske.* Unfortunately at this present time—unless something is done to make occupancy feasible or possible—I think mainly the problem is unrealistic engineering standards. There is a difference between rural areas and built-up metropolitan areas. Downtown Des Moines might be built to 100-year engineering standards, but there is no place in Perry, Iowa, that is built to those standards. It just would be economically impossible.

*See p. 75 for statement of Mrs. Barnoske.

The Farmers Home Administration at the present time has a loan that is going sour very rapidly. The reason for this is that to rent these at the very best rents that they could afford on a budget that was prepared at least a year and a half ago, these units would have to rent for \$120. Well now, we have selected people to occupy these 24 units, and they earn not over \$3,440 a year of all kinds of income, and the lowest is \$1,720. These people simply could not afford to pay \$120 in rent. With a subsidy they would be paying from \$43 to \$86.

Also, strangely enough, we have lost two of these selected persons, they just recently died. Very briefly and quickly stated, that is the problem in Perry.

I think one of the things that was just suggested was that we need to have more projects in small communities with perhaps a project manager. We appreciate very much the help of our county supervisor, and really that is what we need. We don't have a staff that can meet with the HUD staff in their specialty. You know, that is our fault, not theirs, but it is something that we can't correct. We have to look to the agencies to help us out in that respect.

Thank you very much.

Senator CLARK. Good. Thank you very much.

I know that Mr. Naylor has to catch a plane back to Washington at 3 o'clock, so I think what we might do is have Mr. Naylor and Mr. Pim come on back down just for 10 minutes, and they may give their comments on what they have been listening to, and then we will proceed on with the other witnesses.

The next witnesses are going to be Gerald Suchan, who is the Regional Six Planning Commission Executive Director in Marshalltown, and then Don Kirchner from the Iowa Association of Regional Planning Commissions in Riverside.

I think we will probably limit you to 10 minutes, or so. You go ahead and make any comments that you may care to make, either of you, briefly, and then there are just a couple of questions that I have.

STATEMENT OF FRANK NAYLOR, JR., ACCOMPANIED BY ROBERT PIM—Resumed

Mr. NAYLOR. Senator, the gentleman you just had before you and the problem he has is a very genuine problem. We share that concern. We have and the department has gone to HUD at this juncture and proposed to them that two things be accomplished, one of which has already been accomplished. First is a set-aside for a specific amount of the section 8 activity to rural America. In this case the commitment is some 3,000 units by the end of September.

Second, and more importantly to the Perry problem, and this has been our belief, that since the Department of Agriculture and the Department of HUD are under the same laws, that if we follow our regulations and standards, we can administer the program without having HUD interpose, the Catch 22 situation of HUD versus Farmers Home. The Secretary's office and HUD have agreed with that concept. We are now in the process of working out a procedure whereby the Farmers Home Administration would be, in effect, a representative of HUD in its section 8 program, and we would operate under our regulations. This would alleviate the problem in the Perry

area, which we are very sensitive to, and in some respects in a couple of instances in other parts of the country it has almost turned into a Catch 22 situation, which regrettably—I think we are in a learning process with any new programs, but we think the solution is to directly address it by having the agency assume the responsibility, and we are working with HUD and expect that to be worked out very shortly.

The second area, which we might touch on just briefly, is the area of the 504 program, which we feel is a very effective program. It has not had any problems in terms of shortage of funds. We have generally found it, Senator, to be most effective where there are community groups, be they church groups or local service groups, who take this on as a project, and in those areas where they have done so and have worked with our local office, they have made some notable successes in terms of aiding the community in the area of homes of this variety that need very minimal—1 percent, \$1,000 to \$1,200 in repair money to fix up a home. I am sure Mr. Pim has looked at this aggressively. I think we will continue to look at it and examine some of the questions that were raised today, because certainly there has been no shortage of availability as far as activities in that area are concerned.

Outside of that, Senator, rather than taking all the time, Bob, do you have a comment?

Mr. PIM. I would just like to say that we very much appreciate being here today, and I want you to know that we will respond to any of the questions that come up after we leave in writing, if you desire. I would like to just add a little bit to the statement on 504.

Senator CLARK. Would you, for the record, say what 504 is?

Mr. PIM. OK, 504 loans are available for low-income families to receive help in their housing. It is a 1 percent loan over 20 years to help families that are in need of simple home repair. Now, I think that there are problems with this loan, the administration of this loan, because fundamentally to do a good job in administering the program we need outreach. Your statement in Congressional Record, September 23, 1965, as a result of the survey done by your office a few months ago relates to this problem, I think, very accurately and specifically, and I think that a lot could be learned from the survey that was done in the Appalachia area.

One of the main questions that seems to have come up today to me is coming from regional planning groups. I think this is an important group that we have in Iowa. We recognize this in Iowa, and about 2 years ago we reorganized our districts, and we were coterminous with these regional planning groups, with the exception of four counties. Our key objective in Farmers Home is for the regional planning people to relate and communicate with our district directors. We have seven districts in Iowa, and these districts are what I am saying are coterminous, with the exception of four counties, and what I am saying then is that we have talked to our district directors and told them that they should be very responsive to the priorities as they are defined by these regional planning areas.

We would, for the record, say that we would like to have the planning people and the chairmen of these groups invite and include our people whenever appropriate in any meetings they would have where we would have programs that would solve the problems as prioritized

by their groups. I think then this would improve the administration of our program.

The appeal process, I think, is an important thing again in the area of communication. In my opening statement I made a point of saying that as we administer the program, it is important that we make loans to people that are able to pay us back plus interest, so obviously we are going to have to turn some away sometimes. It is hard to communicate with people we are unable to help, and if they have a problem or a question, they should contact me in Des Moines, and we will be very responsive to their questions. We think this is part of our job, and if I am not here in Des Moines to take their problem, there will be somebody here to do that.

I would like to spend a little time just to mention our farmer programs. This has not been highlighted because we have heard from housing needs, sewer needs and other needs. I think this is an important part of our program. That is the reason for FmHA beginning 40 years ago when we were given programs to help farmers. We still have these programs, and one of the highest priorities that we have in our operating loan program is to help young families get started farming. We have helped approximately 850 young families in the last 5 years get started farming, and we think we are having fairly good success at this.

That would conclude what I would have to say.

Senator CLARK. Good, good. Well, let me just say that we talked earlier—and I will not necessarily put this in a question, but you are very welcome to respond to it, and then I do have one basic question. As I look here before me to this question of funding—from the witnesses we have had, we have heard three or four or five basic things. We have heard people say generally that the 1972 Rural Development Act, the act that has been put into place to try to help rural communities, most of the witnesses said they felt have not been adequately funded, that many of the programs have not been funded at all and that other programs have not been adequately funded. That is one of the areas we have heard a good deal about here today.

We have heard particular complaints—I suppose more than any other complaints—about the fact that they feel there should be more grant money. I think four or five or six witnesses specifically cited that without grant money they would be in deep difficulty, grant money to go along with the loan money. Two of the witnesses said that their user fees—the people in these communities would have something like \$18.75 per user fee.

I would just like to say for the record, something I guess I have said before for the record, but as I look through the programs of the Farmers Home Administration, it seems to me that they are indeed being slighted because if you look at the budget as a whole, if you look at our whole budget, Defense, Farmers Home, everything else, it is increasing. It is not decreasing in absolute terms. The dollar amount of our Federal budget is increasing constantly as we all very well know. The Farmers Home Administration programs are decreasing in absolute figures. It is doing exactly the opposite of the budget, as a whole.

I have before me, for example, 11 farm programs which Mr. Pim was just talking about, very effective programs, we think, that work very well, but if I look down through those, not a single one is increasing in absolute dollars this year. Correct me if I am wrong, but

there are 11 programs. I am excluding emergency loans because I think that is a difficult sort of thing, so I am excluding emergency loans.

Farm ownership loans are going to decrease; farm ownership loans. These are the loans that get people into the business. They are going to decrease from \$450 million estimated this year to \$359 million. Now, that is a \$100 million decrease. We are going to decrease the soil and water loans to individuals from \$53 million to \$3 million; \$53 million to \$3 million. Now, that means that we are going to have a total loss in the farm program loans of \$150 million in terms of what the President is asking for.

Now, these figures are taken off of an information sheet provided by the Farmers Home Administration, dated January 23.

We have been emphasizing here, as Mr. Pim said, the rural communities rather than the farm programs. Now, let's look at those. There are nine rural housing programs. One of those is going to be increased, rental housing loans, from \$340 million, estimated, to \$400 million, and if that holds up, that would be a \$60 million increase, and we congratulate you on that, and in the mobile home park loans, a very, very small program, you are going to start that up this year with \$1 million, which is good, so two of the nine are being increased.

The others are either going to remain the same or they are going to decline. For example, the low to moderate homeownership loans are going to decline from \$2.3 billion to \$2.2 billion, or a total decline of \$51 million. If we look at the community programs—there are five community programs; several of them have been discussed here today—we find water and waste disposal systems remain the same for next year, \$470 million in loans, but we find that all grants, if the request were filled, are going to be put out of existence. There is a request for no money in grants. This year we have an estimated \$125 million going into those grants. The other programs remain the same except for the business and industrial grants, which again are all cut out.

Now, that means that if we just look at the whole Farmers Home Administration program, excluding emergency loans, that the President has asked for \$267 million less than we estimate we are going to spend this year. I don't have the exact percentages, but I think that would come out at about 4 or 5 percent less than last year, and I just think that is shortchanging the rural areas.

Well, I will give you a chance to respond to that.

Mr. NAYLOR. Senator, I recognize your concern, and I think, as we indicated earlier, one of the most serious concerns that we have had is the rapidly escalating rate of deep subsidy costs to the Government which impacts on what we call uncontrollable expenditures. One thing I don't think the public realizes is that our reimbursement for losses, as it is called, which is the subsidy factor, occurs 2 years after the fact, the net result being that the public really doesn't know what it is costing them in tax dollars for these subsidies until 2 years after it happens. We have been very much concerned about that escalating rate, and the programs that you refer to, Senator, in this area represent essentially those programs which have various substantial subsidy costs to them.

On the other hand, we recognize and are very concerned about the need for agricultural credit, particularly in rural areas, and we have been quite gratified in working with you and your committee in looking

at some options here, and the Department has recommended that there should be a significant change in the way the guaranteed programs are operated, which we believe, in conjunction with our efforts to develop a secondary market, offer the opportunity for significant increases in the availability of credit in rural areas and would give us the opportunity to spend more servicing time with our young farmers and those who need and request significant assistance, and it would leave the private sector with enhanced credit ability in the use of guarantees to handle those loans that are farther along in their ability for development and their improvement and are in a better position to manage themselves.

It is our hope that some of these proposals will be moving through the Congress this session, and I know that you and your committee have been looking at them diligently, and I am sure they will be coming up later on in this session but, in substance, I think in a year of fiscal responsibility the answer is that it was a tough call, but in those instances where programs were very deeply subsidized or had grant money, we did request changes.

Now, I would like to clarify the water and waste disposal area.

Senator CLARK. That was going to be my second question, so you go ahead.

Mr. NAYLOR. We do expect from \$112 to \$114 million carry-forward, and the money you see estimated there in the 1976 figure will be spent, but in addition to that, \$112, \$114 million carryover will be available in fiscal year 1977.

I would also like to emphasize that it is not the administration's intent to say that we are never going to ask for grant money again. I don't think that is the case at all. What we are saying is that we are faced with a rapidly escalating budget, and there are carry-forward funds available for next year, and this is an area where there is a direct cost to the taxpayer, and this is one area that we felt provided the opportunity to practice some fiscal restraint for next year.

Senator CLARK. I should know the answer to this, but did you ask for grant money last year?

Mr. NAYLOR. Senator, yes; we did have a request for grant money.

Senator CLARK. Do you remember what the figures were?

Mr. NAYLOR. I will have to supply it for the record.

[The following information was subsequently submitted by Mr. Naylor:]

The President's budget request for fiscal year 1976 included \$150 million for water and waste disposal grants by the Farmers Home Administration.

Senator CLARK. Well, I think that you really have dealt with the other question that I wanted to deal with. It just seems to me that based on the testimony that we have heard today that given the number of elderly people, low-income people in small communities, that to assume that we are going to continue to build water and sewer systems without some grant money to go with the loan money is just unrealistic. I think it is just awfully unlikely that we are going to continue to meet this demand which the people here have testified to. Along with housing, I suppose it is the major problem that we have got. I think it is just unrealistic, and I gather from your comments that you feel that the administration in future years might well propose that we actually have some grant money.

Mr. NAYLOR. Senator, I believe as we examine it on a year-to-year basis and budget planning and as we get closer to a balanced budget, yes, I think that certainly will come back into the picture. There is carry-forward money through the next year. Our budget has substantially grown. When you consider, Senator, that in 1969 we had a program of about \$2 billion total portfolio and about 200,000 borrowers nationally and you are looking at a program today which is serving over 1 million people, a \$20 billion portfolio and an annual loan rate that will be a \$6.1 billion program this year, that is very significant progress, I think, in rural development.

I appreciate the concerns of the people here, and I want to thank you, Senator, for the opportunity to appear here today because we learn a great deal from these sessions also. We are not—and I wouldn't pretend that we are—without our warts and our own problems, and we will continue to try to address them, and your committee in their oversight capacity has been very helpful to us, and I think that it is a very important function of Congress to participate in the type of oversight that you and your committee have provided us, and we are very appreciative of that.

I want to assure the people here that we will very closely look at all their comments, and to the best of our ability we will take action to correct them, particularly those involving the redtape area, which is a pet peeve of mine also, Senator. I think we have overdone it on the American public in that regard, but I do want to thank you for this opportunity to appear.

Senator CLARK. Thank you very much. We appreciate your coming, and it has been helpful to us as well. Thank you.

We are going to hear next from Gerald Suchan and Don Kirchner. Gerald Suchan is the executive director of the Region Six Planning Commission in Marshalltown.

STATEMENT OF GERALD SUCHAN, EXECUTIVE DIRECTOR, REGION SIX PLANNING COMMISSION, MARSHALLTOWN, IOWA

Mr. SUCHAN. I wish to thank you for the opportunity to appear here at this hearing. I have a prepared statement here.

Senator CLARK. Thank you for coming.

Mr. SUCHAN. I will summarize my statement because most of the of the points I had intended to make in my statement were previously brought up.

Senator CLARK. Good. We will make it all a part of the record, sir.*

Mr. SUCHAN. It is my understanding, that the Rural Development Act did include several funding categories that had previously been in other programs.

Senator CLARK. That is right.

Mr. SUCHAN. The fact that the overall expenditure in those categories may possibly show up as increasing total rural development funds, as the gentleman from FmHA indicated, I would just question what the sources of those increases are.

Senator CLARK. Well, that is a good point.

*See p. 76 for prepared statement of Mr. Suchan.

Mr. SUCHAN. I wonder whether it is new money or whether it is just a different way of accounting.

Senator CLARK. I think it is partly both.

Mr. SUCHAN. OK. Another thing I would like to comment on is that previous to the rural development program there really wasn't much for people who were involved in assisting communities to offer in the basket of Federal assistance. We looked toward the Rural Development Act as the real answer. It was kind of our wishbook, and it gets to be a little bit embarrassing standing around trying to rationalize and explain away why this really never has been available to us.

I would plead with you again to do whatever you can to increase the funding for the nonfunded areas, the underfunded areas, sections which have been ineffective because of impoundments and rescissions. That basically handles the rural development.

The second part of the statement dealt with the fact that there are opportunities and alternative sources of funding. One of the key ways to unlock a giant resource containing many programs that go relatively untapped each year is, I would say at the heart of what the Kennedy-Roth bill S. 3281 is addressing, that is to authorize the establishment of a computerized Federal program retrieval system. I would urge your support for that. I am strongly in favor of it, primarily because we do have, I believe, one of the first computer terminal systems for assessing the catalog of Federal domestic assistance. The Council of Governments which I represent is very enthusiastic of the systems possibilities.

Senator CLARK. Is this the same system that we brought out to Iowa and displayed in Mount Vernon or Indianola?

Mr. SUCHAN. Yes. Incidentally, I will give you a separate copy of the League of Iowa Municipalities magazine, this system was covered by the April League magazine, and will be a part of my statement. I will attach another copy and submit it for the record.*

Senator CLARK. Good.

Mr. SUCHAN. I believe the information included there is equivalent to a lengthy explanation here, so you could just utilize that.

Senator CLARK. Thank you; thank you very much. We appreciate that, and we will make that article a part of the record here.

Don Kirchner is a member of the East Central Iowa Association of Regional Planning Commissions from Riverside, Iowa.

Don, you proceed in any way you think is appropriate.

I might just say, before you start, that we have three more witnesses this afternoon, Loras A. Schulte, William Woodring, and Robert Kelso, so, Don, you proceed in any way you like.

**STATEMENT OF DON KIRCHNER, MEMBER, EAST CENTRAL IOWA
ASSOCIATION OF REGIONAL PLANNING COMMISSIONS, RIVER-
SIDE, IOWA**

Mr. KIRCHNER. Thank you, Senator. It is my pleasure to be here today. I am Don Kirchner, and I am a banker by trade from Riverside, Iowa. I have been involved with the Rural Development Act since before its passage by Congress. I worked with John Baker many years

*See p. 77.

ago in formulating the first "Guide to Programs for Rural Development," and the Rural Development Act really has failed. I don't think it can be termed any other way.

We seem to have a double standard for our rural and urban communities. Under the Community Development Act, HUD assists our urban communities with grants to carry out public projects. Under the Rural Development Act, Farmers Home Administration assists rural communities with loans to carry out their projects. Moreover, Farmers Home Administration's funding authority is so low that even the loans do not seem to adequately meet the demand. Our experience in Riverside has shown that even the loans do not seem adequate to meet the demands. Our experience in Riverside has shown that neither the Rural Development Act nor the Community Development Act have given our community the wherewithal to undertake critically needed programs to redevelop our downtown and to rehabilitate some of our housing stock.

Unfortunately, we have been unable to secure Federal grant or loan assistance to undertake these type projects. Rural development's funds are simply not available. Those programs have never been funded. Community development funds are not directed to the small town. As I see it, what we thought was really a fantastic piece of legislation in the Rural Development Act, has in fact worked against rural areas in that it is my opinion that HUD now looks at small towns and rural areas and says, "No. The Rural Development Act took care of you people," and no more HUD funds are coming in that direction.

I think we can attribute the failure of the Rural Development Act to fulfill the promise of an improved quality of life for rural Americans to two factors: Money and expertise.

For example, section 118A of the Rural Development Act deals with business and industrial loans. The fiscal 1976 appropriation for section 118A was \$350 million. This means Farmers Home Administration can guarantee \$350 million in business and industrial loans nationwide. Since it is not unusual to put \$1 million or more into a small business or industrial firm, it is readily apparent that this loan authority will not go far. Loan limits at the present restricted levels are not going to impact rural business and industrial growth. Those ceilings should be increased or the funds available should be used as a guaranteed loan reserve because after all, these are loans, and they are 90 percent guaranteed, but I don't believe there is any possibility of 100 percent loss ratio on them.

Another example to section 118C which deals with public facilities grants, \$11.9 million was appropriated for fiscal 1976 for this purpose. It is our understanding that President Ford proposes to rescind \$9.4 million of the \$11.9 million. Not only is the original figure inadequate, but the rescission would reduce the program to a mere token. If we compare this to the Community Development Act, Iowa's allocation for nonmetropolitan discretionary grants was \$5.4 million for fiscal 1976. This is just the discretionary fund, and does not include the allocation going to Iowa's largest cities. We seem to have lost some equity along the way.

The fiscal 1976 appropriations for fire protection grants is \$3.5 million. That translates to approximately \$110,000 for Iowa. I don't know if you have recently been involved in the purchase of a firetruck,

but \$110,000 does not buy very many firetrucks, ambulances or much protective clothing.

Unless the funding of the Rural Development Act undergoes radical change, the impact of the act on rural America will not be significant. The housing loans portion of the act appears to have substantial authority to deal with the housing of rural America. However, the remaining portions of the infrastructure which composes the rural community are still in need of substantially greater assistance. On the matter of expertise, we have found that Farmers Home Administration has not had the prior experience in the art of examining and preparing commercial and industrial loans, especially at the field level. This necessitates referrals to higher levels and unnecessary delays and other referrals to the Small Business Administration.

Also, certifications and redtape slow down the process. This not only reduces the opportunity for success of the application, but also reduces the interest of banking institutions in participating. It is not the purpose of my remarks to condemn Farmers Home Administration employees with a lack of experience. This problem results from loading a new obstacle or program on an organization that is not prepared to deal with it.

If we set as our goal the improvement of the quality of life in rural America—and the Rural Development Act very adequately sets this forth in legislative terms—then we should put our fiscal and management resources behind the achievement of the goal.

There have been no funds appropriated for planning, a necessary prerequisite to sound action.

There have been no funds appropriated for grant assistance in rehabilitating or clearing slum housing or dilapidated buildings, to make a small town attractive.

Our experience is that HUD applications from small towns—that is, under 2,000 population—are thrown out long before they reach Washington.

Unless funds are appropriated to help accomplish the goals of the Rural Development Act, the interest of rural America will soon be lost.

I thank you for this opportunity.

Senator CLARK. Thank you very much, Don. We appreciate having the benefit of your long experience in this area. Thank you very much.

Would Loras Schulte from Norway and Bill Woodring and then after that Robert Kelso come on down?

Loras Schulte, mayor, city of Norway.

STATEMENT OF HON. LORAS A. SCHULTE, MAYOR, CITY OF NORWAY, NORWAY, IOWA

Mr. SCHULTE. By way of introduction, I am the mayor of Norway, but I have just recently taken over that office. A little biographical knowledge of Norway probably would help. We have a population of approximately 560 individuals, and we are located slightly south and west of Cedar Rapids, Iowa.

I would like to say that I too appreciate the opportunity to be here to express my views on the programs that have been designed to expedite rural development. My views though, are based not only on what I have seen of the program as a whole, but they are also based on my own hometown's personal involvement in these programs. We

have dealt with the Farmers Home Administration in obtaining a loan to undertake a sanitary sewer project in our town back in 1967, and recently we made an effort, in which I was personally involved, to try to obtain a Federal grant to cover the cost of drilling a new town well and building a new supply tank.

As I indicated, we were successful in obtaining the loan for our sewer project, but we will be paying on that loan now for years to come, and by the time we are done paying for it, we will have purchased it approximately three times over. This is one of the areas in which a grant would have helped us considerably. I don't think the town would have asked for all of the money that was necessary to put that sewer in, but any kind of grant money that would have helped lower the years we would have to pay for it would have certainly saved the town a considerable amount of money in the long run.

In our next endeavor we were unsuccessful in obtaining any Federal money for our water facilities project, and since I was personally involved in this undertaking I would like to take a little time to more fully develop this point.

Approximately 2 years ago it became apparent to the council that headed Norway at that time that a new well and a tank would soon be necessary. We hired an engineer and started the project rolling, and he indicated that our approximate cost would be somewhere in the neighborhood of \$125,000. Because of our previous indebtedness and because of the size of the project, we felt that, it would be necessary to obtain some kind of a Federal grant to help us with the project.

To this end I turned first to the planning director of the East Central Iowa Regional Planning Association, and in talking with him he indicated that there were really no Federal funds available under the Rural Development Act to help us out. He did indicate though that there were funds under the Community Development Act but at that time he held out no false hopes of success in that line or in that endeavor; but we decided to go ahead and see if we could find some money in this area, so I proceeded with the relatively complicated paperwork, and sure enough we were turned down. It was indicated to us that we were rejected mainly because for our size, we were too rich a town to receive any funding. Therefore, the town had to stand the entire cost of the project, which ran somewhere in the neighborhood of \$143,000.

Now, this amount added to our previous debt brings our total debt to somewhere in the neighborhood of \$350,000, so maybe this answers the question of what happens to a town who can't get grant money. We simply have to borrow it and place ourselves in a considerable amount of debt. That figure, I think, takes on a little more significant indication or importance when you realize that approximately a quarter of our population is either 65 years of age or at least living on some sort of a fixed income.

Senator CLARK. You say about 25 percent of it?

Mr. SCHULTE. Yes, of our population. Now, needless to say, the town was very disappointed that we were unable to find any grant money because we felt that we had come a long way in trying to help ourselves. We have undertaken a lot of projects to improve the town, and when we were faced with this staggering cost of the well, we certainly thought that we would be entitled to some sort of Federal

help, and I guess this is why I feel that the full funding of the Rural Development Act is of the utmost importance in the development of our rural areas. Without some sort of grant money, we are just going to fall farther and farther behind because it seems to me that—and I think this is true of both State and Federal Government—you have forgotten that even though we are small rural towns that we are still faced with many of the same problems that face any large city. We still have to provide water and sewer disposal, police and fire protection, new street construction and street maintenance, recreational facilities, try to provide for some social needs, garbage pickup, and that is only to mention a few that come to mind immediately.

These problems unfortunately get even further compounded again by State and Federal regulations that demand that we provide these services in highly specified manners. Now, it is this problem that I would like to call "big city regulations on a small-town budget" that is slowly driving us to our knees. I guess to sum up and save you some time, what we are unhappy about is that you are slowly destroying any initiative that exists in rural America because it is getting harder and harder for us to swallow the unsavory menu of State and Federal regulations while watching the gravy of Federal money being ladled upon larger urban America, and unless there is some turnabout in that, I don't know where rural America will go to, other than to slowly die a very agonizing death.

Senator CLARK. That is a good statement. Your feeling is that rural America just does not get its fair share of its own tax dollar?

Mr. SCHULTE. Exactly. We wind up with the loans, and large urban America winds up with the grant money. Now this is not to say that we don't understand that the larger cities have major problems that have to be faced, we appreciate this, but we would also like to have a little understanding about our problems and the fact that, as I said, we are faced with the same problems they are, but we are faced with one more, and that is that we have got a much smaller budget to work with, and as I say, unless we can get some Federal assistance or Federal help, I don't know where we will go.

As I say, my own town is now burdened with a \$350,000 debt, and there are many improvements still needed, and we just don't have the money to undertake them.

Senator CLARK. To you, the grant money itself is of particular significance?

Mr. SCHULTE. Yes, I think it is of significance, but as I said, I think that it could be included with loan money. I think maybe the difference between us and larger urban-America is that we are willing to pay our share, but we would like to have that share be evenly distributed, and this is certainly not happening at the moment.

Senator CLARK. Thank you very much.

Mr. SCHULTE. Thank you, Senator, for your time this afternoon.

Senator CLARK. We are going to hear now from Bill Woodring from Happy Homes and Olive Grove Estates, and he is a certified public accountant in Des Moines.

STATEMENT OF WILLIAM E. WOODRING, CERTIFIED PUBLIC ACCOUNTANT, HAPPY HOMES & OLIVE GROVE ESTATES, DES MOINES, IOWA

Mr. WOODRING. I would like to take the opportunity to thank you, Senator, for allowing me to offer what little testimony that we might have in regard to the Farmers Home Administration. I would like to address myself to the housing needs of the community.

Mr. Nizzi from Waukee made a statement to the effect that perhaps what we needed was more facility loans, and so forth. I will take the approach that each community needs to have their needs analyzed and a plan set about to meet those needs.

Senator CLARK. Whether that be housing or water or sewer, or something else?

Mr. WOODRING. The housing needs that we have in the town of Bayard represent a housing need. I am the accountant that does the work for these two particular corporations that have made application to Farmers Home. We initiated a new program in Iowa, a rural program, to offer condominiums into the rural area. This does not meet what rural America really wants in their housing, and we recognize that. Perhaps we did not foresee enough of that, but what we did take was a conditional commitment for 16 units under Farmers Home specifications, four to be built at a time.

The first complex of four units was completed in April of 1975, and we had sent eight applicants to Farmers Home for loan requests to purchase these said condominiums. Of the eight applications, seven were refused for a number of reasons, many of which were financing reasons.

Senator CLARK. On the statistics of that, how many did you agree to and how many have you actually built?

Mr. WOODRING. We have a conditional commitment for the financing of 16 units, but we have built four.

Senator CLARK. Those were completed about a year ago?

Mr. WOODRING. Yes, they were.

Senator CLARK. What about the other eight?

Mr. WOODRING. They have not been built. They are purely setting on a planning board at this point.

Now, the thing that I think is most frustrating to my client is that within that same community there exists a slough, and on that slough Farmers Home contacted a builder and asked them to put a house on this slough, under, again, an unconditional commitment. They later found out that when the house was built, in a very undesirable location, the applicant was not able to meet the national requirement and, therefore, the loan was not approved.

The problem that we have in this community is one of need and demand for housing. There is none at all in Bayard. We continue to meet frustration after frustration in an attempt to satisfy this demand. We do have one unit, a senior citizen's housing unit, that has a tremendous waiting list. Eleven to sixteen people at any given time will offer 1 month's rent in advance to be placed on a waiting list, which we can't meet right now. An area that, as a community, we find lacking is one for rural families.

We feel like we have met the need of the senior citizens. We have not met it adequately, but we have met it but, now, we also have a need of the young families in rural America, and if I might make an observation—and this is purely my own—we have had a good horse in the elderly housing, and we have rode it well, but now it is perhaps time to change either jockies or stables, one or the other.

For an organization who is designed to make a profit in providing rental housing, it is just completely unfeasible in rural America. The interest rates and the terms of the loan would prohibit any kind of rental that would satisfy the family demands of a community this size.

I have offered three letters for written testimony, and one of them concerning the needs really alarms me, and this is taken from a meeting between myself and an individual in the Farmers Home Administration who carries the title of rural rental housing expert, and we were talking in regard to section 515, rural rental housing, and I will quote: "The guidelines considered for structures under section 515, rural rental housing, does not include the needs of the community." That indicates to me that something may be wrong in the attempt to satisfy the rural housing need.

The two clients that I represent made an effort to change from this condominium financing to one of satisfying the demand of section 515, rural rental housing, for an interest credit. Our initial application was refused on the county level with a very nebulous and nondescript refusal, which, not willing to die very easily, I then took it up with Mr. Pim in the State office. I might interject here that Mr. Pim offered us a very good meeting and, in fact, was quite cooperative during that meeting. We found that the true reason was not what was initially set down on paper and, of course, we would not be able to get a written reason as to why. The true reason was being that they were not able to make the initial loan, they would not, therefore, switch us over. I think what that really indicates is a lack of flexibility to meet the demand of rural America.

I have got just a couple of closing comments concerning the experience and the training of the personnel. We have done a little research into section 515, and we presented this to a county supervisor, who probably is on about the bottom rung of the ladder. He had never heard of section 515 and was quite astonished to find that we would have that kind of information, and his reaction to that was that they would prefer to, rather than provide rental housing, put a young family into a home, and one of the quotes that we got again from the rural housing expert was that when they consider a loan, they don't rent their apartments to families with two children or more. I hardly see a reason to have a two-bedroom apartment for less than that.

We further investigated and found that there is in existence an animal called plan 2 to this section 515, and it has been in existence for 2 years, and this again has no funding, and there has not been units offered or financing available in Iowa at all, and when I asked if there was any written information that I might be able to review, I was informed that there was almost none. In fact, all there was was a mere reference in one section of a pamphlet.

In closing, I think the real question that needs to be answered is, is Farmers Home and the administration going to meet and be responsive

to the needs of rural America? Thank you, Senator. I certainly appreciate the opportunity.

Senator CLARK. Thank you very much. We appreciate that. I might say that if you get short of money in Bayard, feel free to increase Ken Robinson's taxes as far as you have to to make up the difference.

Robert Kelso, executive vice president, Atlantic Industrial Development Foundation. They have done some interesting and valuable things, and we are pleased to have you here, Mr. Kelso, and you proceed in any way you want.

STATEMENT OF ROBERT KELSO, EXECUTIVE VICE PRESIDENT, ATLANTIC INDUSTRIAL DEVELOPMENT FOUNDATION, ATLANTIC, IOWA

Mr. KELSO. I would like to preface my remarks by saying that the community of Atlantic is very happy. When you receive over \$300,000 in Farmers Home Administration programs, you certainly don't want to be unhappy. I am talking mainly about the industrial development sections of the Rural Development Act.

The city of Atlantic and the Atlantic Industrial Development Foundation first became interested in the Rural Development Act in 1972, in October of that year. At that time we were beginning to investigate regional planning agencies and their necessity. Atlantic at that time was in desperate need of a single industrial area that was not in a flood plain—as you know, we have had quite a flood problem—and that had rail access.

In 1973 we were successful in attracting a livestock feed manufacturing company, Allied Mills of Chicago, to our area. The prime site, we have since acquired, was located adjacent to the new plant-site. We entered into a purchase agreement with the owners: 75 acres at \$3,000 per acre, or a total of \$225,000. It was then that we really turned our attention to the Farmers Home Administration and the Rural Development Act.

The first application for a grant for \$250,000 was filed in November 1973. On January 10, 1974 we were informed that the industrial group was not eligible for a grant, but that the city of Atlantic could apply.

On January 16, 1974, just 6 days later, the city of Atlantic applied for the grant, \$250,000. We spent the next 3 months supplying the Farmers Home Administration people with maps, financial statements, resolutions and letters from various governmental agencies giving their approval of the project. In May 1974 we visited with you, Senator, in Washington, while participating in a special visitation on another matter. You and your staff made inquiries on our behalf, and we were notified in June 1974 that our grant had been approved, but only for \$90,000. We had asked for \$250,000, but that is what the whole State got for industrial development projects.

This money was used to construct a waterline to the industrial site and to serve a small residential area just outside the city limits.

During the time we were involved with the applications for the grant, we projected a problem with our financial status of our industrial foundation and the purchase of the land designated as our industrial site. Our payments were amounting to about \$25,000 or \$30,000 yearly, and our income from pledges and rental of the farm ground was only about \$19,000 annually.

In July 1973 we filed our first application, as an independent non-profit organization, for a loan of \$200,000 from Farmers Home Administration. This preapplication was rejected, due to a lack of security on the note. We spent the next several months offering several different ways to secure the loan, but to no avail. The Washington office of Farmers Home Administration would not grant the loan until the industrial foundation acquired a personal guarantee from its members. We reapplied in April 1974, and subsequently this application was also rejected.

In September 1974 the Des Moines office of Farmers Home Administration resubmitted the application, citing the agreement of the local group to personally guarantee the note. In other words, we did some good public relations work and got our people to say they would sign it. Following several months of negotiations we filed our final pre-application on September 15, 1975, including 24 personal agreements from the board of directors to guarantee the note. This time we requested \$225,000. This was approved in October 1975, and payment was made in November 1975.

On behalf of the Industrial Foundation I respectfully offer these comments and suggestions:

First, we would like to publicly commend Mr. R. R. Pim, State director; Mr. Lloyd Scott, chief of community programs; Mr. Robert Hagle, chief of business and industry; all of the Des Moines office of Farmers Home Administration; and Mr. Forrest Vermillion, county supervisor in Cass County; and Mr. Gary Ludington, district director in Atlantic, and their staffs for their fine cooperation and assistance.

Second, we were extremely disappointed with the appropriation and allocations of the money in 1974, \$250,000 to each State. We do not feel this was the intent of the law and do not feel that some of the heavy industrialized States were in need of rural development.

Third, industrial development, in rural areas, is a very complex project. We feel that the sections of the law pertaining to this type of development should be administered by an agency or by personnel with expertise in this field.

Lastly, we protest the necessity of having to give a personal guarantee on the note, when the first mortgage on the land should be adequate collateral.

I thank you very much for your time, and it is a pleasure to have somebody who is really interested in rural development.

Senator CLARK. Thank you very much. It was an excellent statement, and it is a good example, I think, of what the business and industrial loans can mean if we can only get that program moving now and get it expanded, and so forth.

According to the information I have, we have received the testimony of every witness that expressed an interest in testifying, but let me say this, that the official record will be kept open 2 weeks, so that if there is anyone else here or if you know of other people who couldn't attend who might like to submit a statement, just send it to me, and all you need is Dick Clark, U.S. Senate, Washington, D.C., and we will be very happy to make it a part of the record.

It has been a valuable meeting for us, and we thank you for attending, and the subcommittee is adjourned.

[Whereupon, at 2:40 p.m. the subcommittee adjourned subject to call of the Chair.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF ROBERT R. PIM, DIRECTOR, IOWA STATE FARMERS HOME ADMINISTRATION, DES MOINES, IOWA

We welcome the opportunity to tell our story any time we are offered the chance, and encourage questions, comments and suggestions any time. We know that we must actively seek answers to new problems and communicate the solutions that are provided through the programs administered by Farmers Home Administration. I do not believe it was the intention of the present legislation to have solutions to all problems, but through open discussions, new solutions can be developed for the problems facing the rural communities.

It is important that we continue to develop professionalism of the personnel in Iowa Farmers Home Administration. This is important so that dependable decisions can be made to help applicants that have a reasonable chance to succeed. We are making good progress in this area through the training that is being provided by our own state office staff, plus training available at the Norman, Oklahoma, training center.

Training that has been made available from the Iowa state office staff concentrates in the area of program administration. We have also arranged from the state level to make much management training available to our county offices over the last several years. We have consulted and used instructors recommended by Dr. Jude West from the Center of Labor and Management, State University of Iowa, and Dr. Don Hendricks, Engineering and Management Institute, Iowa State University. We have found this training to be valuable to our county office people in the delivery of our program to the public.

In addition to this, courses are available to our state and county office personnel at the FmHA training center at the University of Oklahoma, Norman. Since June 1974, 66 of our supervisory and program personnel have received over 2400 hours of training at the Oklahoma training center. This training has been in developing professional managers and training in the technical area of program administration.

The job of serving the public through the administration of programs such as the ones available through Farmers Home Administration is a very dynamic challenge. Only through communication with the public, interest groups and committees, such as this, can we develop the trusted relationship necessary to capably administer these programs.

FmHA presently has 30 to 33 programs to administer. It is our management objective to have a balanced program in all 51 of our county offices.

It is our goal to actively provide available programs to all applicants that have repayment ability necessary to meet the loan objectives. We must provide a balance between loan writing, loan servicing and graduation. A balanced program must also provide for an effective public relations program and leadership to rural communities.

It is necessary that we be responsive to the ever changing credit needs in the local communities. Needs vary from one community to another because of varying resources and availability of credit. We have 650 banks and 80 savings and loans, production credit associations and federal land bank associations, in Iowa that are managed by separate management teams. We must be responsive to their efforts and other lenders in rural areas and best complement their efforts so that the greatest number of applicants can be financed.

It is our objective to be active lenders so that within the limits of our allocation the maximum number of applicants can be assisted that have reasonable chance for success. It is our intention also to be active in our loan servicing so that delinquent accounts are kept to a minimum and that accounts are able to refinance and graduate to credit available from private enterprise. By being active in loan servicing, we assist families in every way possible to become good money managers.

It is our belief that the public expects FmHA to act prudently, fairly and firmly when making and servicing loans. Irresponsible credit decisions are unacceptable.

If loans are made to applicants with no reasonable chance for success, it is a waste of human resources, a waste of FmHA limited available funds and often causes local business firms to have losses at the time of the liquidation of the loan.

Because of the varying credit needs in rural areas, we believe the FmHA delivery system with offices in rural areas is important to effectively deliver for rural development.

It is a management challenge to effectively deliver a balanced program. It takes continual review of accomplishments and setting new goals. The solutions to some of our problems are outside of our direct control. Many are not. It is our objective to continually work for solutions in both areas.

A review of loan volume over the past five years shows growth in the Iowa program—

	1971	1972	1973	1974	1975
Number loans made ¹	3,986	4,292	8,061	² 8,956	² 9,025
Dollar volume.....	59,765,854	78,307,370	97,500,444	110,000,000	193,815,650

¹ Includes some subsequent loans.

² 1974-75 includes 6,170 loans where total debt was canceled according to Public Law 92-237.

Note.—Total number of accounts as of December 31, 1975, 22,821.

Iowa has managed to maintain a reasonably low delinquency in all programs as well as maintaining loan volume.

DELINQUENCY, DEC. 31, 1975

	Iowa (percent)	Nation (percent)
Operating loans.....	23	44
Emergency loans.....	21	28
Farm ownership.....	6	18
Soil and water.....	8	22
Rural housing 502: Single family (over 90 days).....	3.2	6.9
Rural rental housing.....	1	9
Sewer and water.....	$\frac{1}{2}$	5
Recreation.....	2	21

Inventory Property.—13 houses in inventory; 20 houses under foreclosure.

Rural housing 502 delinquency reduced to 2.8% by April 15, 1976.

A review of our graduation shows good results have been obtained in this area, but continued emphasis will be put on this in our plan of work for Fiscal 1977.

Loan volume for Fiscal 1976 will be increased in all program areas except emergency loans and the past due accounts will not increase above the acceptable level of June 30, 1975.

FARMER PROGRAMS

Farm ownership loans.—Enable capable family farmers lacking other sources of credit to buy, improve or enlarge farms they operate; a significant source of credit by which young farmers become established as owner-operators. Statutory limits are \$100,000 for a single loan, 40 years for repayment at 5 percent interest. Borrowers who prosper sufficiently to qualify for conventional credit refinance through conventional lenders when possible, thereby "graduating" from FmHA credit.

FARMER PROGRAM TRENDS

	Fiscal year—				
	1971	1972	1973	1974	1975
Number simultaneous FO loans approved.....	47	259	497	370	293
Other lenders simultaneous funds advance.....	\$1,581,070	8,563,950	15,437,240	15,052,330	15,137,528
Number FO made.....	304	520	620	441	387
Amount FO funds used.....	\$9,736,440	15,560,050	17,739,660	15,755,190	15,272,850

According to the Cooperative Extension Service, Iowa State University, January 1976, the value of an average acre of farm land in Iowa in 1975 was \$989 per acre, an increase of \$395 an acre from 1971. Because of this increase it is more important that the simultaneous authority be used in our FO program so that we can continue to help young Iowa farmers purchase farm land.

Farm operating loan.—Insured, or guaranteed loans, usually secured by chattel mortgage, for feed, seed, fertilizer, livestock, machinery or other elements of production; made to family farmers and ranchers lacking other sources of production financing. Terms usually range from one to seven years according to loan purpose; interest rate fixed annually with advice of U.S. Treasury.

Beginning farmers.—During the last five years approximately 30% of the operating loans made by FmHA in Iowa have been to help young families start farming. 877 of the 2,894 initial operating loans were made to beginning farmers. This is a high priority in each of our county offices. Our objective is to work closely with these young families in the area of records and farm management to do everything possible to help them get soundly established in farming. Our goal in the future is to help even more young families get started in agriculture on a sound basis.

Total Funds Obligated for Farmer Programs 7-1-74 to 6-30-75

	Amount
OL.....	\$18,177,070
EM.....	44,125,830
FO.....	15,272,850
SW.....	132,230
EL.....	30,795,010
Total.....	108,502,990

OPERATING LOAN PROGRAM TRENDS, IOWA

	Fiscal year—				
	1971	1972	1973	1974	1975
Number of applications received.....	1,043	1,193	776	780	1,054
Number initial loans made.....	429	515	564	462	549
Number subsequent loans made.....	986	869	1,218	939	667
Total initial advances.....	\$7,281,990		\$11,086,750		\$13,044,070
	\$9,567,110		\$10,120,620		
Total subsequent advances.....	\$4,350,210		\$6,698,620		\$5,133,000
	\$4,482,380		\$6,719,740		
Average initial loan.....	\$16,974	\$18,577	\$19,657	\$21,906	\$23,760
Average subsequent loan.....	\$4,412	\$5,158	\$5,500	\$7,156	\$7,696
Number leaving program.....	757	703	561	638	447
Caseload June 30.....	3,287	3,099	3,102	2,926	3,028
Percent delinquency June 30.....	20.0	15.0	5.0	5.0	6.0

Emergency loans.—Are made to eligible farmers and rural people who are victims of a natural disaster. Last year a total of 4,093 loans were made for \$44,125,830.

Emergency livestock loans guaranteed by FmHA.—Under the Emergency Livestock Credit Act of 1974 (PL 93-357) enacted on July 25, 1974, FmHA guaranteed up to 80 percent of losses on loans made by lending institutions to livestock producers. During the 1975 fiscal year 282 loans were guaranteed for \$30,795,010.

Iowa Farm Family of the Year.—The Farmers Home Administration takes pride in the record of successful farmers who have used farm ownership and operating loans to increase their earning capacity and their equities in land and equipment. The Farm Family of the Year Program helps to increase public awareness of this record. Rural development is receiving high national priority from all areas of governmental action, as well as from the private sector of our economy. Any program concerning rural development must provide for family farmers.

Farmer purchasing power supports the business man on Main Street and in rural towns and the family farm is the bedrock of the social and cultural structure of Rural America.

The objectives of FmHA farmer programs are to provide assistance in the preservation of family farms. The FmHA Farm Family of the Year Program was initiated nationwide in 1970 to recognize outstanding families making use of FmHA farmer programs. Through this program we recognize the accomplishments of one family that has used FmHA programs successfully, and encourage other FmHA families to greater accomplishment. It also emphasizes the contribution made by FmHA to agriculture and rural communities.

Competing families must have actively used FmHA farm ownership and/or operating loans for at least 60 months and have a loan at the time of entry or have been graduated within the award year or the year previous.

Each of the 51 county FmHA offices selects an outstanding family every year. State winners are selected from district winners. Districts are based on seven administrative areas served by FmHA district directors. State winners participate in national competition. Iowa has selected a Farm Family of the Year since the inception of the program in 1970.

RURAL HOUSING

The primary objective of the FmHA Rural Housing program is to provide decent, safe and sanitary housing for rural residents who are unable to provide such housing through conventional sources of credit.

Over 2700 Iowa families acquired housing through the use of FmHA during the fiscal year ending June 30, 1975. This brings the total number of families to over 16,000 who are currently using FmHA assistance for housing.

Rural housing loans obligated during fiscal year 1975 totaled \$43,630,480. 36% of that amount went to low-income families with less than \$8,500 adjusted income and who were eligible for reduced interest rates.

The use of these loan funds not only directly benefits the individual family but also helps strengthen the rural community with a more stable population. Loan funds have been used for the construction of new homes and for the purchase or rehabilitation of existing homes.

Some evidence of the total economic benefit can be noted by the total dollars loaned for single family dwellings in recent years.

	<i>Amount</i>
1969	\$12,261,520
1971	19,420,180
1973	34,065,410
1975	43,630,480
1976 (Est)	55,000,000

RURAL RENTAL HOUSING

The basic objective of Rural Rental Housing loans is to provide economically designed and constructed rental housing suited to the needs and living requirements of eligible occupants.

Iowa is one of the top states in the Nation in use of this loan program. This is as it should be since most of the rental projects in Iowa have been designed for senior citizens. Iowa is surpassed only by Florida in the percentage of population 65 years of age or older. In Iowa 12.4% of the population is 65 years of age or over and many rural counties have over 20%.

A total of \$17,493,460 was loaned during FY 1975. By June 30, 1976 an estimated 580 rural rental housing projects in the state provided over 5,500 apartments.

Although most projects in Iowa are designed for senior citizens, individuals and families, regardless of age, and who meet income level requirements, are also eligible to occupy such units.

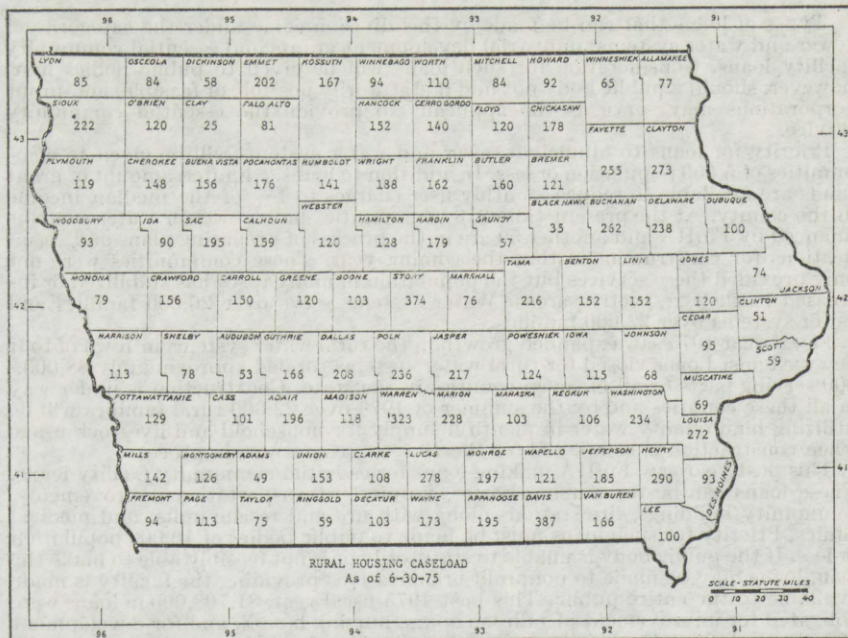
The units are designed to provide modest one and two bedroom apartments to fit the needs of the occupant. Senior citizens are attracted to such housing because it allows them to enjoy home-type atmosphere without the worry of snow removal, lawn mowing and other worries of home ownership. By remaining in their own community, they can still deal with their local bank and merchants and maintain their regular church memberships. Both the individuals and the community benefit from such housing.

Growth of the RRH program is reflected in the following figures showing amount loaned in recent years.

	<i>Amount</i>
1969	\$1,533,030
1971	4,528,560
1973	7,301,080
1975	17,493,480
1976 (Projected)	¹ 18,800,000

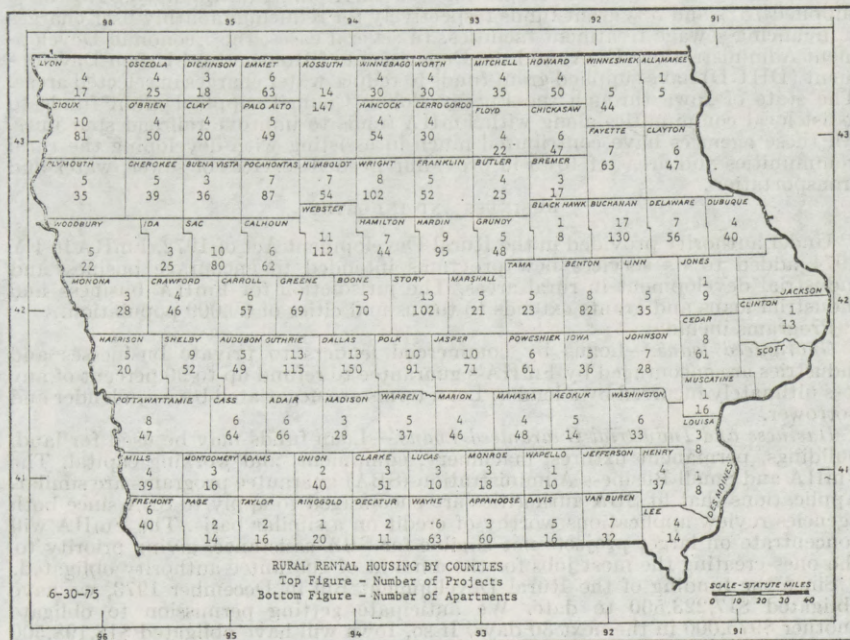
¹ State allocation.

IOWA



40-400.13 "2-58"

IOWA



40-400.13 "2-58"

COMMUNITY PROGRAMS

Types of loans that can be made by this division come under the categories of sewer and water systems; industrial development grants and essential community facility loans. Consideration for such loans will be given to public bodies first; however, should a public body not find it statutorily possible or feasible, non-profit corporations may serve as the applicant to provide the essential community service.

Priority for loans to municipal sewer and water systems will be given to communities of 5,500 population or less. In addition to loans, a limited amount of grant funds are available to reduce monthly user charges to 1% of the median income in the county. At the present time 213 communities have sewer or water systems financed by FmHA and another 59 are in the process of preparing plans and specifications for construction within the coming year. These communities were not only provided these services but the population in many cases has stabilized or increased in their respective areas. Water systems serve over 20,000 families and sewer systems over 22,000 families.

Fiscal year 1975 saw expanded growth in the rural water systems in Iowa of four new systems. Loans closed for rural water systems totaled approximately \$8,000,000 serving parts or all of seven counties in the state. Construction is under way in all these counties and by the summer of 1976 over 22,000 rural families will be utilizing high quality water in plentiful supply for household and livestock usage when construction is completed for the 16 associations now in process.

This past year saw FmHA making loans for essential community facility loans. These loans can be for nursing homes, hospitals, transportation improvements, community buildings, fire stations along with fire and rescue units, and medical clinics. Priority for such loans must be made to public bodies of 10,000 population or less. If the public body is unable to statutorily or is not feasibly able to make the loan, loans may be made to nonprofit organizations providing the facility is made available to the entire public. This past 1975 fiscal year, \$1,708,000 in loans were obligated for improvement of railroad spurs, nursing homes, and for development of industrial sites. One of the basic requirements of this loan is that the public body organizations must show a means of assured income for the life of the loan.

A number of the mentioned FmHA loans made under the Community Programs division would not be possible if other funds were not available from the Federal and state agencies cooperating with the applicant. The Environmental Protection Agency (EPA) and the State Department of Environmental Quality (DEQ) have supplied 75% and 5% grant funds respectively for reducing monthly user charges in financing sewage treatment facilities. In several cases, the Economic Development Administration (EDA) and the Department of Housing and Urban Development (DHUD) have supplied grant funds to reduce water charges in selected areas. The state of Iowa through the Energy Policy Council supplied grant funds to assist local communities along with FmHA funds to improve railroad spur lines. All these agencies have contributed much in assisting with developing the rural communities and areas of Iowa in providing needed services of sewer, water and transportation.

BUSINESS AND INDUSTRY

Under authority provided in the Rural Development Act of 1972, FmHA in FY 1974 added to its services new programs intended to encourage business and industrial development in rural areas. The jurisdiction for FmHA business and industrial loans and grants extends to towns and cities of 50,000 population.

Programs include:

Guaranteed loans.—Loans by commercial lenders to private businesses and industries are encouraged by FmHA's guarantee to refund up to 90 percent of any loss ultimately incurred by a lender. Loan terms are negotiated between lender and borrower.

Business and Industrial Guaranteed Loans.—Loan funds may be used for land, buildings, permanent fixtures, machinery, equipment, and working capital. The FmHA and Small Business Administration (SBA) guarantee programs are similar. Applications that fit SBA authorities are encouraged to apply to SBA since both agencies review applications worthy of credit on a similar basis. The FmHA will concentrate on larger projects not eligible for SBA assistance, giving priority to the ones creating the most jobs for the amount of guarantee authority obligated.

Since the funding of the Rural Development Bill in December 1973, we have obligated \$17,223,500 to date. We anticipate getting permission to obligate another \$975,000 in the next 30 days. If so, Iowa will have obligated \$18,198,500 since the inception of the program on 23 projects which result in maintaining and/or creating 2,159 jobs for an average of \$8,429 guaranteed loan per job.

Industrial development grants.—Grants to local public bodies to buy land, install utilities and make other essential improvements on rural industrial sites.

During the 1975 fiscal year industrial development grants were made to eight communities for \$277,000 assisting them to develop their industrial sites for private business enterprises. During 1976, 6 grants were made for \$237,900. Funds were used to purchase land, develop sewer and water services to the site, along with street improvements. These grants are made to public bodies with assistance from local industrial development foundations whose sole purpose is to attract or improve the industrial opportunities to their individual communities.

IOWA B. & I. PREAPPLICATIONS, APPLICATIONS RECEIVED—FISCAL 1975 AND 1976

Name	Address	Date of preapplication or application	Status
Nelson Nursing Home	Fairfield, Iowa	Oct. 10, 1973	Guaranteed.
ADR Industries	Adair, Iowa	Jan. 30, 1974	Do.
Iowa Industrial Hydraulics, Inc.	Pocahontas, Iowa	Mar. 13, 1974	Do.
Consoy, Inc.	Manning, Iowa	May 16, 1974	Lender evaluating.
Aidex Corp.	Glenwood, Iowa	July 11, 1974	Withdrawn, got other credit.
Harley Troutman & Associates	Crystal Lake, Iowa	July 15, 1974	Rejected.
Lamoni Development Corp.	Lamoni, Iowa	July 19, 1974	Referred to SBA.
Preston Times	Preston, Iowa	July 23, 1974	Withdrawn.
C.I.R.C. (Central Iowa Railway Co.) ICO Corp.	Coralville, Iowa	Aug. 27, 1974	Withdrawn, project dropped.
Van Wyk Feed Center, Inc. d/b/a Cee Dees Farm & Home.	Oskaloosa, Iowa	Sept. 4, 1974	Referred to SBA.
Mid-Iowa Concrete Products Co.	Grand Junction, Iowa	Sept. 6, 1974	Withdrawn, dropped expansion plans.
Iowa Turkey Products	Postville, Iowa	Sept. 11, 1974	Company reconsidering.
Wapsie Poultry	Forest City, Iowa	Sept. 13, 1974	Referred to SBA.
Fort Dodge Betterment Foundation	Fort Dodge, Iowa	do	Written inquiry—site visit—no applicant followup.
New Sharon Care Center	New Sharon, Iowa	Sept. 24, 1974	Guaranteed.
Morning Sun Nursing Home	Morning Sun, Iowa	Oct. 4, 1974	Referred to SBA.
Iowa Steel Mill, Inc.	Wilton, Iowa	Nov. 11, 1974	Withdrawn, sold facility.
Rolfe Arrow, Inc.	Rolfe, Iowa	Nov. 18, 1974	Guaranteed.
Lyons Partnership (Clinton Retirement Village)	Clinton, Iowa	Jan. 16, 1975	Withdrawn.
Conrad, Inc.	Houghton, Iowa	Feb. 7, 1975	Conditional commitment issued Sept. 30, 1975.
Rich Plan Corp.	Ottumwa, Iowa	Feb. 12, 1975	Guaranteed.
Kenneth Hanson & Richard Peterson	Lake Mills, Iowa	Feb. 12, 1975	Referred to SBA.
Sand Seed Service Inc.	Marcus, Iowa	Feb. 15, 1975	Withdrawn, got other credit.
Palmer Memorial Hospital	West Union, Iowa	Feb. 18, 1975	Guaranteed.
IMESCO	Omaha, Nebr.	Feb. 18, 1975	Withdrawn, lender dropped.
Three Crosses Ranch, Inc.	Strawberry Point, Iowa	Feb. 19, 1975	Conditional commitment issued Sept. 15, 1975.
Rath Packing Co.	Columbus Junction, Iowa	Feb. 19, 1975	Withdrawn, got other credit.
Bob Boysen & Sons Elevator	Avoca, Iowa	Mar. 22, 1975	Rejected.
Iowa Gateway Terminal	Keokuk, Iowa	Apr. 21, 1975	Very high cost, very little employment, discouraged.
Bailey Pump Service, Inc.	New London, Iowa	Apr. 22, 1975	Referred to SBA.
Yarmouth Feed & Grain	Yarmouth, Iowa	May 6, 1975	Withdrawn, got other credit.
Davis County Sales Co.	Bloomfield, Iowa	May 9, 1975	Guaranteed.
Louis Rich, Inc.	West Liberty, Iowa	May 12, 1975	Under final review.
Bethesda Foundation	Clarinda, Iowa	May 13, 1975	Waiting on them.
Casa, Inc. (J. Allan Mactier)	Ottumwa, Iowa	June 3, 1975	Withdrawn, project dropped.
Dr. Jose V. G. Angel Experimental Fruit Farm Subdivision.	Council Bluffs, Iowa	June 9, 1975	Rejected.
Newell Livestock (Harold Lundberg)	Newell, Iowa	June 10, 1975	Do.
Shivvers Enterprises	Corydon, Iowa	June 16, 1975	Conditional commitment issued Nov. 4, 1975.
Centerville Care Center	Centerville, Iowa	June 24, 1975	Conditional commitment issued Dec. 22, 1975.
Mefferd Industries	Laurens, Iowa	July 7, 1975	Under final review.
HPH Corp.	Pocahontas, Iowa	Aug. 4, 1975	Conditional commitment issued Dec. 3, 1975.
PAMCO	Oskaloosa, Iowa	Aug. 8, 1975	Withdrawn.
Brandt Elevators, Inc.	Allison, Iowa	Aug. 18, 1975	Referred to SBA.
Omar Printing & Sign Co.	LeClaire, Iowa	Sept. 2, 1975	Rejected.
Woodard Feed Co.	Webster City, Iowa	Sept. 3, 1975	Withdrawn, got other credit.
Arnold Gain & Feed, Inc.	Lake Park, Iowa	Sept. 8, 1975	Conditional commitment issued Feb. 25, 1976.
Mathers, Inc.	Denison, Iowa	Oct. 3, 1975	Rejected.
Brown Division of Rivinius	Woodbine, Iowa	do	Company is in process of changing management.
James W. Furman d/b/a Furman Body Shop & Wrecker Service.	Marengo, Iowa	Oct. 8, 1975	Referred to SBA.
Frank's Food Mart	Danville, Iowa	Oct. 28, 1975	Do.
Cannon Publishing Co.	Bonaparte, Iowa	Oct. 29, 1975	Rejected.
Allied Products (Bush Hog/Stano Hoist)	Fort Dodge, Iowa	Oct. 31, 1975	Inquiry, FmHA requested additional information.
Crest-Park, Inc.	Humboldt, Iowa	Nov. 5, 1975	Rejected.

IOWA B. & I. PREAPPLICATIONS, APPLICATIONS RECEIVED—FISCAL 1975 AND 1976—Continued

Name	Address	Date of preapplication or application	Status
Frohwein & Sons, Inc.	Colo, Iowa	Nov. 12, 1975	Conditional commitment issued Mar. 30, 1976.
Golden Buckle Publishers, Inc.	Rockwell City, Iowa	Nov. 26, 1975	Rejected.
Bell-Watcher, Inc.	Victor, Iowa	Dec. 4, 1975	Waiting on application.
Duane's Standard Station	Fredericksburg, Iowa	Dec. 9, 1975	Referred to SBA.
Alvin & Phyllis Ceaglske (grocery store)	Readlyn, Iowa	Dec. 10, 1975	Rejected.
Orland Fara d/b/a Manning Agriculture Center	Manning, Iowa	Jan. 31, 1976	Referred to SBA.
BRADCO	Delhi, Iowa	Feb. 4, 1976	Rejected.
Linn Grove Hatchery, Inc.	Linn Grove, Iowa	Feb. 17, 1976	Waiting on application.
Rothermel Seed Co.	West Liberty, Iowa	Mar. 11, 1976	Rejected.
Foursome Golf & Country Club	Oelwein, Iowa	Mar. 17, 1976	Do.
Lundell Mfg. Co.	Cherokee, Iowa	Mar. 19, 1976	Waiting on application.
Rich Grain Service, Inc.	Chester, Iowa	Mar. 31, 1976	Referred to SBA.
Edward Knepper	Cascade, Iowa	Apr. 6, 1976	Do.
Central Iowa Bean Mill & CIBM Inc.	Gladbrook, Iowa	Apr. 16, 1976	Under initial review.
Welton Elevator, Inc.	Welton, Iowa	Apr. 19, 1976	Pending, need audit for initial review.

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, DES MOINES, IOWA—COMMUNITY FACILITIES APPLICATIONS AND PREAPPLICATIONS

Name and address	Date recorded	Amount requested	Purpose	Loan obligated		Status
				Date	Amount	
City of Mt. Pleasant, Mt. Pleasant, Iowa	July 25, 1973	\$400,000	Community multipurpose center.			Rejected. Other credit available.
Appanoose Services Agency Center, Iowa	Jan. 1974	750,000	Health and recreation center.			Preapplication on hand.
Wayne County Historical Society, Corydon, Iowa	Dec. 14, 1973	20,000	Extension to museum and parking lot.			Do.
Town of Clare, Clare, Iowa	Jan. 23, 1974	20,000	Fire station.			Preapplication on hand.
City of Clarinda, Clarinda, Iowa	Jan. 30, 1974	400,000	Community Center.			Do.
Southwest Iowa Sheltered Workshop, Creston, Iowa	do.	138,100	Home for handicapped adults.			Do.
Jefferson Sheltered Workshop Activity Center	Feb. 5, 1974	75,000	Sheltered workshop for adults 18-36.			Rejected. No assured repayment.
Union County Child Care Center, Creston, Iowa	Mar. 1, 1974	60,000	Child care building.			Do.
Town of Shelby, Shelby, Iowa	Apr. 17, 1974	50,000	Fire hall, fire and rescue equipment.			Additional information requested.
Atlantic Industrial Development Foundation, Inc., Atlantic, Iowa	May 9, 1974	230,000	Land purchase for industrial site.	Oct. 10, 1975	\$225,000	Closed.
Rotary Club of Eagle Grove, Eagle Grove, Iowa	Apr. 1974	600,000	50 bed nursing home.	July 2, 1974	600,000	Closed and in operation Apr. 28, 1976.
City of Lansing, Lansing, Iowa	June 21, 1974	570,000	Community nursing home.	May 9, 1975	240,000	Closed and under construction.
Chariton Valley Regional Services Agency, Fire-Rescue, Centerville, Iowa	July 15, 1974	1,000,000	Fire and rescue system.	June 20, 1975	655,000	Closed.
Greater Indianola Corp., Indianola, Iowa	July 25, 1974	200,000	Repair railroad line.	Feb. 21, 1975	200,000	On hand pending additional information.
City of Swea City, Swea City, Iowa	Aug. 22, 1974	250,000	Community building.			Do.
City of Alford, Alford, Iowa	Sept. 11, 1974	15,000	Building to house equipment.			Closed.
Grundy Center Development Corp., Grundy Center, Iowa	Sept. 27, 1974	76,000	Industrial site.	Apr. 18, 1975	63,000	Closed.
City of Dyersville, Dyersville, Iowa	Oct. 1, 1974	1,000,000	Community hospital.			On hand pending additional information.
Kossuth Medical Center, Algona, Iowa	Oct. 4, 1974	325,000	Medical clinic.	Jan. 1976	450,000	Ready for bids.
Cass County Memorial Hospital, Atlantic, Iowa	Oct. 7, 1974	1,250,000	Hospital improvements.			Withdrawn. Other credit.
City of Shell Rock, Shell Rock, Iowa	Oct. 9, 1974	500,000	50 bed nursing home.			Do.
Town of Milo, Milo, Iowa	Oct. 17, 1974	50,000	Fire station and meeting hall.			On hand. Pending additional information.
Humboldt County Development Corp., Humboldt, Iowa	Dec. 2, 1974	550,000	Repair railroad line.	June 25, 1975	550,000	Closed and in operation.
Osceola Community Hospital, Sibley, Iowa	Jan. 10, 1975	130,000	Medical clinic addition.	Apr. 29, 1975	190,000	Withdrawn by applicant and obligation canceled.
Swea City Development Corp., Swea City, Iowa	Feb. 19, 1975	250,000	Community building.			On hand.
Sheldon Christian Retirement Home, Inc., Sheldon, Iowa	Mar. 6, 1975	650,000	Christian retirement home.	Feb. 17, 1976	800,000	Plans and specs in process.
Rockwell Community Nursing Home, Inc., Rockwell, Iowa	Apr. 10, 1975	500,000	Nursing home.			Rejected. Other credit available.
Ringsted Jaycees, Ringsted, Iowa	Apr. 24, 1975	50,000	Swimming pool.			On hand. Must meet assured income terms.
Do.	do.	20,000	Golf club.			Do.

U.S. DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, DES MOINES, IOWA—COMMUNITY FACILITIES APPLICATIONS AND PREAPPLICATIONS—Continued

Name and address	Date recorded	Amount requested	Purpose	Loan obligated		Status
				Date	Amount	
City of Odebolt, Odebolt, Iowa	May 14, 1975	\$75,000	Renovation of swimming pool			On hand. Pending additional information.
Monroe County Board of Supervisors, Albia, Iowa	May 16, 1975	3,000,000	Hospital			Do.
West Central Iowa Sheltered Workshop, Denison, Iowa	May 22, 1975	250,000	Housing and workshop for mentally and physically handicapped.			Do.
Algona Municipal Utilities, Algona, Iowa	July 2, 1975	10,000,000	Powerplant and substation			Purpose of requested financing not covered CF program.
Hadlan Municipal Utilities, Harlan, Iowa	July 7, 1975	1,200,000	Expand electric facilities			Do.
City of Eldora, Eldora, Iowa	July 9, 1975	200,000	Medical clinic			Withdrawn. Discontinued plan for clinic.
City of Maquoketa, Maquoketa, Iowa	July 9, 1975	550,000	Municipal electric system improvements			Purpose of requested financing not covered CF program.
City of Sergeant Bluff, Sergeant Bluff, Iowa	Aug. 5, 1975	450,000	Community building, city hall and fire-station			On hand. Pending additional information.
Lake Mills Health Clinic Building Association, Lake Mills, Iowa	Aug. 11, 1975	225,000	Health clinic			Do.
Town of Pulaski, Pulaski, Iowa	Aug. 22, 1975	25,000	Firetruck			Requested formal application (AD 624) not received.
Veterans Memorial Hospital, Waukon, Iowa	do.	1,100,000	Hospital expansion			On hand. Pending additional information.
Town of Pringlar, Pringlar, Iowa	Aug. 27, 1975	150,000	Medical clinic			Do.
Trinity Regional Hospital, Fort Dodge, Iowa	Sept. 3, 1975	7,500,000	Hospital expansion including medical clinics			Involved relending of FmHA loan funds, not legally permissible.
Southwest Iowa Shippers Association, Shenandoah, Iowa	Sept. 8, 1975	350,000	Repair railroad line			On hand. Other credit may be available.
Cumberland-Creston Shippers Branch Line Association, Fontanelle, Iowa	Sept. 11, 1975	400,000	do			Pending review of information received.
Oakville Development Corp., Oakville, Iowa	Sept. 26, 1975	35,000	Community center and firestation			On hand. Pending additional information.
Golden Grain Shippers Association, Holstein, Iowa	Sept. 30, 1975	600,000	Repair railroad line			Requested formal application (AD 624) by Jan. 12, 1976. Not received.
New Hampton Industrial Development Corp., New Hampton, Iowa	Oct. 22, 1975	40,000	Refinance land contract, industrial development site	Mar. 5, 1975	\$40,000	Loan in process.
Audubon-Atlantic Branchline Improvement Corp., Audubon, Iowa	Nov. 16, 1975	423,300	Repair railroad line			Pending review of information received.
Lawler Community Fire Department, Lawler, Iowa	Jan. 2, 1976	30,000	Firestation building			On hand. Pending additional information.
Handicap Village of Northwest Iowa, Inc., Sheldon, Iowa	Jan. 28, 1976	800,000	Construction of facility for adult handicapped			Pending additional information.
Waverly Day Care Center, Waverly, Iowa	Jan. 30, 1976	35,000	Day care center for 30 children			Preapplication rejected. Ineligible.
Kanawha-Beimond, Kanawha, Iowa	Mar. 11, 1976	800,000	Repair railroad line			Pending assumption jurisdiction.
Humboldt & Dakota City Area, Senior Citizens Center, Inc., Humboldt, Iowa	Mar. 15, 1976	40,000	Senior citizen's facility			Jurisdiction being determined.
North Central Iowa Shippers Association, Eagle Grove, Iowa	Mar. 25, 1976	935,000	Repair railroad line			Do.
City of Marcus, Marcus, Iowa	Apr. 22, 1976	783,000	Residential care facility			Do.

STATEMENT OF DWIGHT WILLARD, CHAIRMAN, HOUSING AUTHORITY OF SPENCER,
SPENCER, IOWA

Gentlemen: It is indeed a pleasure for me, as the chairman of the Housing Authority of Spencer, Iowa, to be in attendance at this hearing, to represent the community of Spencer in telling the story of Spencer, Iowa's endeavor to procure funds from the Farmers Home Administration for low-income housing for the elderly. I accepted the appointment to the Spencer Housing Authority February of 1975, and I must therefore admit that much of the information contained therein I have garnered through reading correspondence from the previous years and studying other historical documents from the city of Spencer archives to acquire a complete picture of the city's prior endeavors to procure government funds of some sort to alleviate the problem that is still at hand; that is, low-rent housing for the elderly.

In my study of the correspondence of previous years, I have learned that the only government assistance that Spencer has received for housing of any type occurred in 1964 under the 202 Housing Authority or Program. This housing development was put together by a group of private citizens entitled Sunset Retirement Home, Inc., and at that time, approximately \$515,000.00 was used to erect a three-story home for the elderly. This home, of course, is still in existence, and being very efficiently operated.

The Housing Authority of Spencer has made application three different times through HUD, but has not been successful in receiving funds from a grant of any kind. The first one of these applications was submitted in 1971, the second in 1973 and the third, in which I personally was involved as a member of the Housing Authority, in 1975. From the correspondence I have studied concerning the 1973 application, it is my understanding that Spencer at that time was accepted; however, prior to the time that the actual building was started, the funds were cut off, and again Spencer was not granted the use of any federal funds for the low-rent housing for the elderly.

I am enclosing copies of statements sent to our local newspaper, The Spencer Daily Reporter, that I personally made to the citizens of Spencer indicating the reasons for the non-acceptance of the last application we submitted. This report to the citizens merely indicates that we had three applications by two different promoters, none of which received the necessary number of points in order to be the recipient of funds under the grant. We met all the other criteria that were necessary, and I believe that technically all three of the applications did qualify in that respect.

I am taking the liberty of including a copy of a letter that I personally received from Mr. Frank B. Elliott, the administrator of the USDA Farmers Home Administration office in Washington, D.C., where he explained to us the problem involved with cities having over 10,000 population. In this letter Mr. Elliott indicates that they have developed a criteria for making the determination required in Section 511 of the 1974 Act; however, they have not implemented this section. It seems as though all the available funds have gone to rural areas of less than 10,000 population; therefore, cities in the 10-20,000 population range are again left out. Spencer is included in that bracket, having a last census figure of 10,350.

Mr. Elliott indicated that the Farm and Home Administration was sympathetic to our needs, however, no provisions have been made to implement this particular section of the act. As a representative of one of the cities that is again stymied for mortgage money for the low-rent project for the elderly, I implore the Rural Development Committee to apply pressure enough to allow these projects to get off the ground. It is the opinion of this writer that the problems of the aged are more serious than the problems of the youth, and we must develop some program to help society take care of these needy people.

One of the major roadblocks that seem to be cropping up in our endeavors is the procurement of physical locations; that is, land sites near enough to the amenities to be acceptable under the Section 8, new construction and rehabilitation program. Spencer is a very progressive and active community, business-wise, and all of the land that will meet that criteria seems to have been procured in previous years by business people for their own endeavors. The Housing Authority of Spencer has made a survey of our community, and we seem to be unable to find land close enough to the amenities to be acceptable under the program.

There is one possibility, however, and I would like to call it to your attention at this time. Earlier in this document I referred to the housing project developed in 1964 under government financing and titled 202. This particular building site

has enough ground for several times the size installation that is now on it and under operation. There is a problem, however, in that this site is held under mortgage through the 202 program. The operation of this home has been extremely successful. They have built enough reserve for maintenance and repair, and have acquired a few extra dollars over the years that could be used to assist in the building of a second unit if the pathway could be cleared regarding the present mortgage and procurement of additional funds through some government program.

I have asked many questions about this of the board of directors of Sunset Retirement Home, Inc., and find that they, too, have been trying to procure additional funds to enlarge their building so that they may handle more people. They continually run into a problem that the site was used for a 202 project, whereas the mortgage had been taken by the administrating housing authority, cannot now be used under the Section 8 program for an enlargement or another project, or another similar program using a different housing authority for the procurement of funds. There doesn't seem to be any way that we can mix and match the two programs, and this particular concept is inconceivable to me. You would almost think that our government is part left hand and part right hand, and not both hands.

I believe that the way the Rural Development Sub-Committee could assist Spencer, Iowa, the most would be to assist us in finding a way that we could coordinate these two programs into one for the purpose of erecting somewhere between another 50 and 100 units on this same site.

This site has, as I indicated before, 51 units, and their occupancy rate in 1975 was 100%. In 1974 it was 99-plus %. They have been full, and have had a waiting list since 1968. This would indicate to you the additional needs that must be met in Spencer. The rental costs in this particular unit are very reasonable. The best apartment, with the most room in this present Sunset Retirement Home, rents for \$126.00 monthly. I have also learned that there is an adjustment due on the rental costs in this home because this unit must now be put on the tax rolls of Clay County, Iowa, and the City of Spencer and the rental costs will be raising on this apartment mentioned above to \$152.00 monthly, a raise of \$26.00 per month. This is certainly a reasonable rent, which could indicate the expertise of the management now controlling Sunset Retirement Home, Inc.

The present mortgage on this site is around \$477,000.00, and their average interest cost appears to be about 3½%, simple interest per annum. Again, this is another reason why the rental costs are so reasonable. You can understand that there is very little subsistence allowance necessary to support the residents in this particular home. Spencer Housing Authority would be willing, and actually eager, to meet with the trustees of the Sunset Retirement Home to work out some method of cooperation to proceed, if only we had a way pointed out to us by the Rural Development Commission to assist us in our endeavors. Our problems could be alleviated if something could be worked out in this area.

I implore you to give this your earnest attention and consideration.

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE ADMINISTRATOR,
FARMERS HOME ADMINISTRATION,
Washington, D.C., March 3, 1975.

Mr. DWIGHT WILLARD,
President, Farmers Trust & Savings Bank, Spencer, Iowa

DEAR MR. WILLARD: This will reply to your letter requesting that the city of Spencer, Iowa, with a population of about 10,500, be designated as a rural area and, therefore, eligible for rural housing loans from the Farmers Home Administration (FmHA).

Title V of the Housing Act of 1949, as amended, the law authorizing rural housing loans, permits these loans to be made only in rural areas. The Housing and Community Development Act of 1974 expanded the definition of rural areas to include cities with populations in excess of 10,000 but not more than 20,000 if they are not within a standard metropolitan statistical area and have a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of Housing and Urban Development.

We have developed criteria for making the determination required in section 511 of the 1974 act; however, we have not implemented this section. The reason is that 1975 appropriations for rural housing were based on budget proposals developed before the Housing and Community Development Act of 1974 was enacted and all the funds will be used in rural areas of less than 10,000 population. It will also be necessary to add personnel to properly service the expanded areas which will require additional administrative appropriation.

The FmHA is sympathetic with the needs of persons living in the areas covered by the new legislation and plans to carry out the provisions of the 1974 act as soon as possible. Implementation must, however, be delayed until additional funds are available to carry out the new authority.

Sincerely,

FRANK B. ELLIOTT,
Administrator.

[Reprinted from the Spencer Daily Register, Feb. 26, 1976].

REPORT TO SPENCER ON ELDERLY HOUSING

Dwight Willard, chairman of the Housing Authority of Spencer, has taken a leading role in attempts to obtain federally-subsidized housing for the elderly. When Spencer's three applications were passed over by the U.S. Department of Housing and Urban Development several weeks ago, Willard went to Des Moines to visit with HUD officials in an attempt to learn the reasons why. Following is an account of his gleanings:

(By Dwight Willard)

Several things have happened regarding the low-income housing for the elderly project that was undertaken by the Spencer Housing Authority and a report to the community is due.

First, a short recapitulation of the project is necessary in order to bring matters up to date. On November 14, 1975, there were three separate applications submitted by two promoters for Spencer. Dick Hallett Insurance and Real Estate filed an application for a 55-unit project in the area north and west of the YMCA. He also submitted a second, separate proposal for a 55-unit project in the northeast section of the city, slightly north and west of the First Christian site.

Darwin T. Lynner and Associates of Des Moines filed an application for a 96-unit project in an eight and one-half acre piece of ground behind Crest Lounge and Matt Furniture, south and west of the South T. There has been a recent news release stating that none of the three applications were accepted by the HUD office in Des Moines, and the reasons for non-acceptance were included in letters to the applicants, copies of which were received by the Housing Authority of Spencer.

While in Des Moines on business on Feb. 11, as chairman of the Housing Authority of Spencer, I called on the HUD office that is under the supervision of Mr. Nate Ruben, director. I met with Mr. Ruben and his first lieutenant, Norman C. Jurgens, and we engaged in approximately 45 minutes of discussion concerning the reasons why Spencer was not accepted.

They assured me, and wanted me to be sure to understand, that there was no rejection of Spencer, it was simply the fact that the applications submitted did not receive as many acceptance points as the five communities whose applications were accepted. These were: 24 units in Kingsley; 44 units in Cherokee; 82 units in Storm Lake; 56 units in Rock Rapids; and 12 units in Hawarden.

According to Mr. Ruben and Mr. Jurgens, every one of the applications from northwest Iowa, and I believe there were 21 total, were submitted to a panel of ten people, who are well versed in architectural design, site location and every other phase that could be included in a project of this type. The applications were submitted to this panel without benefit of the name of the city where the proposed project was to be erected. Each of the judges appraised the several separate plans, and assigned points to each project based on type of design, type and size of the heating units, air conditioning, materials used, size of unit, size of the building site and its location as far as the amenities (shopping area, grocery stores, etc.) are concerned.

They also judge it from the problems that an elderly person would have trying to walk to the shopping center, movies or where they might wish to go, in regard to sidewalks, crossings of highways and busy streets, traffic lights that would make it easier for them to cross an intersection, and many other advantages or disadvantages created by the location or type of construction.

One of the most important aspects of the project is who will manage it after the construction is completed. If the HUD has had previous favorable experience with the contractor, then the point system allotted in this case would be different than if the applicant or project promoter was unknown, and without previous experience for a similar installation. All of the applications received for northwest Iowa were judged exactly the same, and after the judging and the point system had been applied, it was determined that the five above mentioned cities were the winning sites, without benefit of the judges knowing where the communities were located.

AFTER VISITING with the two gentlemen at the HUD office, I was convinced that Spencer did receive as much consideration as any other community and any other project applicant, and we just simply were not high enough in the point system to be awarded one of the grants allowing us to proceed with this project.

They did indicate that one of our projects was very high on points, but just not as high as the winning ones; therefore, we were again passed up for the 1976 grant. He indicated to me that if one of the communities that had been accepted were to not proceed with their building project, or if further grants were available from the Housing and Urban Development program, that Spencer would again be notified and allowed to re-apply.

It was interesting to note that the two proposals in Spencer were lower in rental costs than three of the five that were accepted. I brought this to the attention of the HUD office, and they informed me that points were allotted for decorations, wall coverings, floor coverings, lighting and many other particular items, including whether air conditioning was available and furnished in the units. Inasmuch as the plans for the accepted units were not available to the Housing Authority of Spencer, it is impossible for us to know exactly what the situations were in the other communities so that we could be prepared in the future when we re-apply.

THE HEAD OFFICE suggested that it would be better for the community of Spencer to have ten projects presented by promoters, rather than just two or three. They also said it would be better for us if we had several sites presented in the future; that would increase our opportunity of having a winning proposal.

The Housing Authority of Spencer will be taking steps in the near future to follow up the suggestions of the HUD office; we will do our utmost to having a winning proposal for 1977. Mr. Ruben indicated to me that 23 per cent of the federal funds available for HUD grants were allotted to the state of Iowa in 1976. He further indicated that the same percentage would be allotted for 1977. We, therefore, have the challenge to come up with a proposal that will be rated high enough in the point system to be acceptable and worthy of a HUD grant in 1977.

We ask for the cooperation of the city council wherever they can be of value to us, as well as every citizen of Spencer. It will make our job easier.

[The following material was submitted by Ms. Marjorie Wetherill, Hawkeye Area Community Action Program, Cedar Rapids, Iowa.]

Re: Community Meeting on Farmers Home Loans.

Memo To: Senator Dick Clark.

From: Marjorie Wetherill, Hawkeye Area Community Action Program, Inc., 105 8th Avenue S.E., Cedar Rapids, Iowa 52401.

The following observations are personal and do not necessarily represent the Hawkeye Area Community Action Program's Board of Directors.

In my capacity as a housing and winterization coordinator for the HACAP agency, I call on the elderly and low-income people about repairing and winterizing their homes through our agency program. This program is limited to not more than \$350 for materials; Comprehensive Employment Training Act provides the labor.

When a roof leaks or a furnace is faulty, we encourage people to seek FmHA 504 home repair loans. This frequently takes lengthy discussions and actual help completing the loan application so that they meet all the filing requirements. This practical help is very important. However, very often applicants are still reluctant to go into debt and to risk a lien on their property when they can barely meet current expenses without a repayment obligation. It is very important that the elderly be aided to stay in their homes as long as they are able to function alone.

With conventional building costs becoming so great the elderly and low-income are going to have an even more difficult time finding adequate housing. FmHA should establish some guidelines or specifications that would be acceptable for modular units or mobile home financing.

My personal feeling is that the FmHA staff should be expanded to reduce the time needed to process these loans, 5-6 months is too long. There should be some type of outreach or education for the public, reading material is not enough.

Some county supervisors, particularly Mr. Al Kimler and Mr. Vernon Nelson, have been very cooperative and try to live up to what we feel is the intent of FmHA, it is greatly appreciated by those of us who work with them. One county has a supervisor who has been rude and insensitive to low-income people.

It would be appreciated if a structure outline were put together so that clients would be able to find out who they could contact if they were unhappy with the treatment they have received on a local level.

NATIONAL RURAL HOUSING COALITION,
Washington, D.C., April 9, 1976.

DEAR FRIEND: It's appropriations time again. Before the end of the month the House and Senate Appropriations Subcommittees will "mark up" the Farmers Home appropriations. NRHC testified before both House and Senate, proposing a series of increases which are set forth in the April Rural Housing.

In our view, the most critical issues, and the ones on which we need your immediate help are: (1) Rural Rent Supplements, (2) Farm Labor and Self-Help Housing, (3) 504 Rural Housing Repair Grants, and (4) Staffing.

1. *Rural Rent Supplements*.—As you know, the Congress included mandatory language in the FY 1976 FmHA Appropriations Act (PL 94-122). FmHA refuses to implement the program, claiming that the anemic Section 8 program is the same thing. Ignoring Congress is patently illegal. Moreover, the Section 8 program has produced almost nothing in rural areas. Urge the House and the Senate Appropriations Subcommittees to retain strong mandatory language and insist that rural rent supplements, Section 514 of the 1974 Housing Act, be implemented immediately.

2. *Farm Labor and Self-Help Housing*.—The Administration is again proposing termination of these programs, on the grounds that Section 8 can meet the need. While indications are that the Appropriations Subcommittees will approve some funds to keep the programs alive, it always helps to hear from local people about their importance. Urge, at a minimum, the amounts approved last year: \$7.5 million for farm labor grants, \$10 million for loans, and \$9 million for self-help technical assistance grants.

3. *Section 504 Rural Housing Repair Grants*.—The FmHA 504 loan program has been declining in production despite an alleged emphasis by the Administration. Well over 50% of the funds appropriated have gone unspent in FY 1973, 1974 and 1975, and FY 1976 will continue the downward trend. The 504 program is one of the few operated by FmHA designed to serve the poor homeowner. To return any funds unused is irresponsible.

It is clear, however, that for many homeowners, especially the elderly, even a loan at 1% is too much to carry. The neediest are least able to benefit from the program. We believe that this vital program for rural areas could meet its full potential if the grant provisions in the law were implemented. Since 1966, there has been language in the Agriculture Appropriations Act which prohibits the use of administrative funds to implement the grant program.

We are urging that this restriction be removed. The Subcommittee can divide the proposed \$20 million appropriation between loans and grants with confidence that the full amount can be spent.

4. *Staffing*.—There is still a major problem in providing adequate staff to the FmHA. The Administration distorted the intent of Congress in FY 1976 by hiring only 400 full time employees and 300 part-time and temporaries, when Congress provided funds for over 1,000 new full time employees. The workload persists, new responsibilities are added. We propose a 25% increase in permanent, full time FmHA staff with a heavy emphasis on county offices. There is also a desperate need to hire staff with housing and rural development skills.

Congress will be in recess from April 15 through April 25. Visit or call your Congressperson or Senator while he or she is back home. Talk about the importance of these rural programs and urge them to get in touch with the members of the Appropriations Subcommittees to stress the importance of adequate funds for Farmers Home programs.

In addition, get in touch with members of the Senate and House Agriculture Appropriations Subcommittees. (The list is attached.) If you write, we'd appreciate copies of your letters.

Sincerely yours,

CUSHING V. DOLBEARE,
Executive Secretary.

STATEMENT OF JEAN BARNOSKE, PRESIDENT, PERRY HOUSING, INC., PERRY, IOWA

Perry Housing, Inc., a non-profit corporation, was formed in February, 1974, to try to secure rental housing for elderly Perry area residents on limited incomes. The Perry Housing Authority had previously tried to obtain HUD subsidized housing with no success.

In July, 1974, it was announced by Representative W. Scherle that HUD had committed funds under Section 23 of the National Housing Act to subsidize

rents of 24 units for the elderly. This was to be new construction. The Authority had been working and continued to work on a developers' packet that would satisfy the requirements of both HUD and Farmers Home Administration. A packet was finally completed and bids from developers advertised, with Perry Housing, Inc., being the only bidder. This bid was accepted April, 1975, after some minor revision.

Perry Housing, Inc., had during this same time applied for a FmHA loan to construct the project, with the understanding that it would be at market interest as subsidy from two government agencies is not allowed. Both government agencies were aware that this had been arrived at after much consideration as the best available solution to the community's efforts to obtain needed housing.

Bids were let in December, 1974, with construction to begin as soon as possible the following spring. The start of construction was delayed briefly in waiting for notice to proceed from HUD.

Construction was completed in January, 1976, and final inspection by both agencies scheduled for the 26th of January. To this time we had no indication of any major problem.

After contacting HUD we had proceeded to take final applications from prospective tenants in mid-January, and on February 5 twenty-four (24) tenants were selected. Again, after contact with HUD those selected were contacted and advised the date of occupancy was still uncertain. We were subsequently notified by HUD that they had determined that the exterior drainage did not meet Minimum Property Standards and revised plans correcting the problem would be required before the project would be approved. At first indication it seemed the problem was fairly simple and correctable at little expense. After further dealings we found that they felt the problem much greater than indicated.

Our last contact with HUD was at a meeting in Perry with representatives of HUD from Des Moines and Kansas City, FmHA, the Perry Housing Authority and Perry Housing, Inc. At this meeting, although some of HUD's objections were satisfied by legal counsel and the city engineer, indication was the remaining major objection could be solved only by expenditure of approximately \$85,000 or 27% increase in the cost of the project.

I have tried to give you a brief background of the Perry project. At this date the project is still unoccupied. Perry Housing, Inc., as a non-profit community corporation with limited resources, will be without funds within sixty (60) days, and the low income elderly of the area are still without adequate housing. The FmHA loan was closed in mid-March because of interest overrun on the interim financing. At present our options are: to hope a solution will be reached with HUD in the very near future; to accept FmHA's suggestion and occupy the units as a FmHA low interest project with minimum rents of \$120 per month; or to abandon the project. Of these options the second seems nearly pointless, as of the tenants selected as needing the housing only three or four could afford this rent. Of the last option, after many people in the community have contributed countless hours and incurred expenses voluntarily, any further community involvement in similar projects seems doubtful.

We have no complaints in our dealings with FmHA. Our dealings with this agency have been satisfactory, and in our estimation, their understanding of our problems and objectives is good. Our wish is that the same was true of HUD, as at present what is needed in this community is available only through HUD programs. At present their ability to deal with a small project in a rural community does not seem to meet that need. Perhaps FmHA is better equipped to deal with this type of program at the least expense and the greatest benefit in the smaller rural communities.

STATEMENT OF GERALD SUCHAN, EXECUTIVE DIRECTOR, REGION SIX PLANNING COMMISSION, MARSHALLTOWN, IOWA

My name is Gerald Suchan from Marshalltown, Iowa.

I would like to thank the members of the Rural Development Subcommittee for allowing my comments to be included in the record of this hearing.

I am the executive director of a Regional Planning Commission in Central Iowa. This agency provides services to forty-two towns and four counties, with only one entity having a population of over 10,000 persons. My primary task is to provide planning and technical assistance to member governments regarding the identification and documentation of needs, and to recommend remedies for the attainment of public goals. A primary resource relied upon in recommending remedies are federal programs.

In 1972 a number of categorical programs were terminated, several others were transferred and realigned in an attempt to achieve a higher degree of effectiveness and provide for more efficient management.

A glimmer of hope shown on the horizon for small rural communities struggling to provide life support services and a minimum of the amenities every citizen should have an equal right to receive. That hope was the announcement of The Rural Development Act of 1972. With the enthusiasm of children, we who for all too long could find little or nothing in the basket to offer rural America, read through the Rural Development "WISH BOOK." At last, there would be some possibility of alleviating some of the immediate negative pressures being experienced by rural communities. We were not totally naive.

In our effort to inform the public officials and citizens we were assisting about Rural Development, we hastened to caution that there would be an authorized funding that couldn't possibly respond to all the requests that were sure to come in. It becomes a source of real embarrassment, explaining and rationalizing to the public why what was promised cannot be delivered. Basically, I am an optimist, therefore, I indicate to them that something will be coming down in the future to respond to their needs.

Sections that I am only too painfully aware of not being adequately funded (Title I—Amendments to the Consolidated Farmers Home Administration Act of 1961) are:

Section 106 amends 306(a)(3). Planning Requirements. This office is aware of considerable Fm.H.A. loans being processed without A-95 Review. We have never been reimbursed for A-95 Reviews performed.

Section 111 adds to 306(a). Rural Development Planning Grants. Comprehensive planning funds have not been made available to us or to communities. This is a critical area which would provide for budget relief to rural communities who still require being "sold on the need to plan," to do some prior planning for an early warning of future budget and development requirements.

Section 112 amends 306(a). Priority for Certain Water Facility and Waste Disposal Loans and Grants. I am working with several communities, two of which have zero water pressure at critical water hydrants, adjacent to the central business district, and near an elementary school. Another town has such poor water quality from a deteriorated well and system that the chemical treatment analysis required to purify the water causes a laxative effect to those unaccustomed to the water and is detrimental to heart patients. Despite these critical needs, they are not eligible for grants under present funding.

TITLE IV—RURAL COMMUNITY FIRE PROTECTION

The funds authorized and released to achieve a degree of progress achieving protection in vulnerable and hazardous areas is inadequate for the need.

Please consider these deficiencies and move to adequately fund the Rural Development Act of 1972. As a professional engaged in program research with the Catalog of Federal Domestic Assistance, I strongly urge your support for the Kennedy-Roth Bill S-3281. This would provide a key to unlock the system. I know. I have set up the facility which the bill proposes to make more widely available. (Please admit as part of this statement the Iowa Municipalities, Vol. 31, No. 10, April 1976, see cover story, pages 3 and 10.) Thank you.

[Reprinted from Iowa Municipalities, April 1976, Vol. 31, No. 10]

COMPUTER CUTS TIME NEEDED TO UNLOCK FEDERAL PROGRAMS

But doesn't guarantee that funds are available.

Marshalltown.—The Region 6 Planning Commission here is the first in the nation to be connected with the new Federal Assistance Program Retrieval System (FAPRS). The system enables Region 6 staffers to scan 657 possible sources of federal technical and/or financial aid to local communities in a matter of minutes.

"In a two-hour run, the computer gets responses it would take ten planners two months to get," said Gerald Suchan, executive director of the Region 6 commission. It unearths obscure federal programs which conventional searches often overlook, he added.

FAPRS was developed by the Rural Development Service of the US Department of Agriculture. Suchan learned of the system, and became interested in it, when he met the system's "inventor", Paul Kugler at a convention in 1973. Since then, US Senator Dick Clark has helped publicize the system in November, 1975, workshops held in Mt. Vernon and Indianola.

CROSS-CHECK FOR SPECIFICS

Programs scanned by the computer are keyed to the Catalog of Federal Domestic Assistance. Cross-checking in the catalog yields specific information about each program, including how to apply for aid.

About 65 per cent of the 1,009 programs listed in the catalog are covered by the computer. "The computer's reply to a problem exhaust the possibilities," Suchan said.

Availability of federal funding programs depends on funding levels and priorities among eligible applicants, he observed.

So far, Suchan said, "FAPRS has been used to find potential aid for about 20 communities in Region 6." Some, he added, were double, or triple requests * * * meaning that answers to more than one problem were sought.

All 20, he said, received information which could help solve their problems. Naturally, action by the community is needed to take advantage of the information because most federal programs require matching community funds or other efforts to meet criteria for the aid.

ASK DEVELOPMENT HELP

So far, Suchan said, requests for help have involved many phases of community development. Included, he noted, have been requests from a community in which water treatment was having a laxative effect on visitors; another in which a city cemetery was adjacent to a flood plain with graves being washed out of the cemetery; and another with a "critical" traffic bottleneck.

The responses have been delivered to all the communities involved, Suchan said, but no conclusive action on the possible solutions has been taken yet. "We were amazed to discover that more than a dozen federal programs impacted on the cemetery problem," he remarked.

Suchan said the computer could be used to locate aid for sixteen categories of community facility grants. They include aid programs dealing with: 1. community water supply; 2. community sewage treatment; 3. solid waste management; 4. public buildings; 5. hospitals and health-related facilities; 6. recreation; 7. land acquisition; 8. public roads and bridges; 9. utilities; 10. historic preservations; 11. federal surplus property; 12. flood prevention and control; 13. emergency preparedness and disaster relief; 14. fire prevention; 15. Department of Defense economic adjustment program; and 16. the integrated grants administration.

FOUR CLASSES OF PROGRAMS

Besides the community facility programs, the computer also answers questions about programs in business and industrial development, planning and technical assistance, and housing.

Besides information for government entities, FAPRS can provide specific answers to non-profit organizations, private individuals, and Indian tribes. Information provided takes into account the city's population size and its status as a part of a Standard Metropolitan Statistical area or an area covered by the Economic Development Act. (Iowa has eight counties designated as SMSAs and nine counties as EDAs.)

The computer terminal cost Region 6 \$3,000, Suchan said. There is a minimum telephone line charge for connections with the computer center in the USDA of \$100 per month and there are other charges which vary with the number of requests for information processed by the system.

Region 6 communities can use FAPRS free, Suchan said, but other cities in the state can plug into the system for \$25. Additional runs can be obtained for \$10 per run, he said.

HERE'S WHAT COMPUTER "SAID" TO MAYOR

Mayor Beverly Ballhoefer, Laurel, recently asked FAPRS for information about federal programs which might help her city start a senior citizens' recreation program. Here's what the computer said:

Based upon the information provided by Region Six Planning Commission the Rural Development Service USDA, has determined that Laurel, Marshall County, Iowa appears to meet the basic eligibility criteria for the following recreation programs.

Number and title

- 10.204—Rural Development Research
- 10.414—Resource Conservation and Development Loans
- 10.415—Rural Rental Housing Loans
- 10.423—Community Facilities Loans
- 10.657—Cooperation in Forest Management and Processing State Forestry Agency
- 10.901—Resource Conservation and Development. Must be in Resource Conservation and Development area
- 10.903—Soil Survey
- 10.904—Watershed Protection and Flood Prevention
- 11.303—Economic Development Technical Assistance. Not restricted to Economic Development Administration
- 11.402—River and Flood Forecast and Warning Services
- 12.100—Aquatic Plant Control. States only must be a navigable waterway
- 12.101—Beach Erosion Control Projects
- 15.202—Public Land for Recreation-Public Purposes and Historic Monuments
- 15.400—Outdoor Recreation-Acquisition-Development Planning
- 15.609—Wildlife Technical Assistance
- 15.610—Wildlife Research Information
- 15.611—Wildlife Restoration. State Fish and Game Department only
- 15.804—Water Resources Investigation
- 15.900—Disposal of Surplus Wildlife
- 15.907—Park Practice Program
- 20.004—Boating Safety-Financial Assistance
- 39.002—Disposal of Federal Surplus Real Property
- 59.012—Small Business Loans (Regular Business Loans—71(A)Loans). Small businessmen only and only for profit making entities
- 66.505—Water Pollution Research—Development—Demonstration Grants
- 74.001—Bicentennial Administration-Matching Project Grants (Non-appropriated)
- 74.002—Bicentennial Administration-Matching Project

Program numbers and titles are consistent with the Catalog of Federal Domestic Assistance. Data are updated monthly.

This printout is intended for use only as a research aid in identifying possible sources of federal assistance, and does not guarantee eligibility of any specific project or availability of program funds. Some of the above programs should be applicable to your specific project needs.

If further assistance is required in the use of this information, please contact your local cooperative extension service or Farmers Home Administration agent, or write the Rural Development Service, U.S. Department of Agriculture, Washington, D.C. 20250.

[The following material was submitted by Mr. Woodring:]

BAYARD, IOWA, August 18, 1975.

Re: Olive Grove Estates, Bayard, Iowa 50029.

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,

To Whom It May Concern:

Olive Grove Estates is a for profit corporation formed in Iowa in 1974 for the purpose of purchasing land, building Townhouse Buildings and anything else concerned with rural housing.

Plans called for 18 units in five buildings. Four four-plex and one two-plex. The land has been purchased and one four-plex has been completed. All of this was done under FmHA supervision and everything has been periodically inspected by your men.

A conditional commitment for financing of the homes was obtained from the Guthrie County Office of Farmers Home Administration in 1974. However, the time has run out on the commitment.

To date one unit has been sold.

As so often happens in Iowa, Olive Grove ran into horrible weather and instead of having the first unit completed in October of 1974 it ran into April of 1975 before the building was finished and grading and paving had to come after that.

During the interim, at one time or another, all four units have been "sold"; but by completion time, the purchasers had made other arrangements and Olive Grove

still owns three units. Money for the project was borrowed by the four stockholders from the Iowa Savings Bank at Coon Rapids, Iowa. There is not now nor has there ever been a mortgage on the land or buildings.

If the corporation was to rent the present facilities it would cost the renters too much money. With long term loans it would be feasible to rent the units.

Two members of the board of directors of Bayard Senior Citizens Housing, Inc., a non-profit corporation, are stockholders in Olive Grove Estates. At the time Olive Grove was started it appeared that there would be many purchasers. Now, however, the market is for renters rather than buyers. About two years ago a large corporation announced that they were planning a big expansion and that housing would be needed for their new help. This has not developed.

To prove that there is a demand for elderly housing, at least in this area, Bayard Senior Citizens, Inc., has a waiting list of 11. These are bona fide applicants since they have each made an advance down payment of one months rent to place them on the priority list. In addition, many others have made inquiry but become discouraged when finding such a large waiting list.

Bayard has four five-plex senior citizens apartments built under the three percent rural elderly housing program. This seems like quite a plenty of this type but still there are more who want to move in. Presently there are rental properties vacant in this town.

First the stockholders of Olive Grove admit that they erred in their judgment on rural persons being ready for the townhouse concept of living. Apparently it is something they do not understand. However, the corporation did not error in the knowledge of the need for housing in this area.

Although Olive Grove built under FmHA supervision, we know that the units do not exactly conform to space regulations for rural rental housing. However, they are so close that we would hope that a small exception can be made so we can tie these homes into a limited profit project. Then, it is the desire of the corporation to proceed with more rental housing that does conform to the specifications of FmHA on the limited profit basis.

With a diversified rental program such as this would be, the town of Bayard would be able to supply the housing needs of different citizens who need different size units.

The stockholders of Olive Grove Estate know that they will take a loss on the overall project but with some cooperation from those concerned with rural housing this amount could be cut down and at the same time housing can be provided for those who are in dire need.

A recent financial statement of Olive Grove Estates, Inc., is enclosed.

Respectfully submitted.

KENNETH ROBINSON,
Treasurer, Olive Grove Estates.

SEPTEMBER 11, 1975.

Mr. PARK RINARD,
Administrative Assistant, Senator John Culver, New Senate Office Building, Washington, D.C.

DEAR PARK: It was good to hear your voice again today and I am reminded that we don't talk often enough—just when I need a favor, I guess.

Anyway, as I told you, we certainly do need help. About two years ago we started talking about doing some building. There was then and there is now a shortage of housing in this area. We were hearing a lot about rural housing and how Uncle wanted to help.

Well, four of us: B. D. Laughery, Jack L. Lloyd and I from Bayard and Frank Smoot from Sioux City, decided to start a project. We went to the Farmers Home Administration and they had a plan that had never been tried. It was for Town House construction and if we built to their specifications they would finance the finished product for anyone whose salary was not too high. We went ahead and when they were finished we found that they would not finance the prospects that we sent them—too many debts, too old, most any thing you could think of.

We financed the project by signing notes at the Iowa Savings bank and now the bank wants its money. As the enclosed letter to the FmHA indicates, we are only asking that these houses be included in a rural rental housing project so we can expand and serve the needs of the people of this area.

As you suggested, I am enclosing some background information and if there is more you need give me a buzz. We are not asking for a gift, a subsidy or any such thing. We just need an opportunity to work our way out and at the same time provide some much needed housing here.

Needless to say, I will appreciate anything you can do for me in this matter and please do keep me informed as to any progress you may be making.

Yours sincerely,

KENNETH ROBINSON.

HAPPY HOMES OF BAYARD,
Bayard, Iowa, October 10, 1975.

DEAR KENNY: Please excuse the delay of this letter. Hope it gets to you in time to call Park.

As we discussed, our meeting with Bruce McGuire, Rural Housing Specialist with the Farmers Home Administration was disturbing. Perhaps we were reading too much into his statements, however, we made him repeat his statements twice to be certain. Most alarming was his attitude and very definite misstatements ascertained as fact.

We were left with the impression that Farmers Home would not make another loan in Bayard. Mr. McGuire assured me that he had no intentions of ever making another loan in Bayard. He started the meeting by stating that their intent was to be fair to all communities. The only presumption we could arrive at was that he felt another loan in the community would be unfair.

We found Mr. McGuire's attitude contrary to what we have read as the intent of Section 515 Rural Rental Housing. In fact, we quote Mr. McGuire: ". . . guidelines considered for structures under Section 515 Rural Rental Housing do not include the needs of the community." Mr. McGuire twice stated that (1.) "There are a lot of houses in and around Bayard, Iowa available for rent or purchase." and (2.) "There is adequate housing in Bayard."

When questioned about the intent of Section 515 Rural Rental Housing and emphasizing the need for housing for low and moderate income families we admitted that our three bedroom units were larger than regulations currently allow. For this reason he flatly stated that regardless of the need, Farmers Home would not consider bending their policy. Again he assured us that there would not be a loan made and we should not waste our time. When questioned concerning need of the family earning less than \$8,500 a year, he stated; "They don't rent their apartments to families with two children or more." Subsequent questions did not reveal just who would qualify or how many children were too many. To us this appears to be in complete disregard of the intent of the law and leaves a complete vacuum for the families of four or more in the rural communities earning less than \$8,500 a year.

Mr. McGuire expressed his opinion that the joint venture would not qualify in regards to financial need. He indicated that he knew all the principles of the joint venture and, ". . . they are very wealthy people." He assured us that Perry Savings and Loan was very interested in this project and quite willing to loan the money. Perhaps if he was on the board of directors of Perry Savings and Loan all of our problems would be solved. While he was certain that Perry Savings and Loan would loan the money, he was just as certain that American Federal Savings and Loan in Des Moines would be just as interested.

Perhaps now you can appreciate our exasperation we felt after meeting with Mr. McGuire. Never before with all our meetings and discussions with Federal employees in the Departments of revenue, treasury, etc., have we met such an individual as Mr. Bruce McGuire.

We don't know if there is a personality conflict involved or how Mr. McGuire acquired his present position. Most certainly, his answers and attitudes were not in accord with the stature of his position. There must be something more than meets the eye since Mr. McGuire's answers were so irresponsible and approached the limit of asinine.

We are enclosing an extra copy of this letter should you wish to forward a copy to Park Rinard. If you have any questions, please feel free to call me.

Sincerely,

WM. E. WOODRING,
Certified Public Accountant.

STATEMENT OF REV. WILLIAM THALACKER, CHAIRMAN, RIDGEWAY RENTAL HOUSING, INC., RIDGEWAY, IOWA

This testimony relates to the difficulty of the Board of RRH in securing permission and subsequent funding to build the type of rental housing they consider to be best for their project. It is composed of (in the main) a series of letters to

different persons and goes back to an application of November 20, 1973 for the second unit of this project.

This testimony will show the development of that discussion.

There are two units presently in the Ridgeway Project. Both have been constructed with FHA funds, have been occupied to 100% capacity since the beginning of occupancy, and were the first units to be constructed in Winneshiek County.

Both units have also been built to FHA specifications and under FHA plans and inspections.

The first unit had four two-bedroom units (doubles) and one one-bedroom unit (single) because the residents who considered occupancy wanted that kind of living condition. Our experience with that unit has been totally favorable.

Therefore, when we began planning for construction of the second unit, as the application shows, again reflecting the mix requested, we applied for four doubles and one single apartment. The letter from the County FHA Supervisor dated March 19, 1974 shows that that was not approved on the state FHA level of administration.

In order that we might get the project operating without further delay, the Board of RRH agreed to build along the state guidelines, although it was not, as our application indicates, our intention to do so.

We were able to complete occupancy of the second unit around Sept. 1 of 1974 with one of the residents who lived in the one-bedroom units requesting that as soon as two-bedroom units were available that they would be permitted to move to a two-bedroom apartment.

Because of a waiting list for occupancy, in the spring and summer of 1975 we again proposed to begin building a third unit but were informed before formal application was completed that it would be impossible to build even as many as the two two-bedroom and two one-bedroom units that we felt should be the minimum. The correspondence that makes up the bulk of this report beginning with the letter of August 29, 1975 from the County Supervisor traces the course of this discussion, a discussion that has gone all the way to Mr. Frank Elliot, Administrator of the FHA on two occasions now, with the very able assistance of our elected Washington, D.C. representative.

In explanation of RRH's rational particular attention should be paid to the letter of September 4, 1975, September 12, 1975, and October 9, 1975, all contained within this report.

May we say that the discussion from our point of view comes down to the following issues:

(1) We need what is available to the public through the FHA programs but not in the form that they want to give and we are simply not going to build unless we get what we think we need.

(2) We believe that greater consideration than has been indicated on the State FHA level should be given to the opinions and decisions and considerations of local boards who are on the scene assessing local needs and requests.

(3) We do not believe that minimal living conditions give to our senior citizens the dignity and freedom they deserve after their service to our community during their working years and that comfortable and viable living conditions give them a sense of dignity and self-worth. We believe that spirit is important for our older citizens and that if we expect them to give up their retirement homes to younger families (one of the explained purposes of this program is to make more housing available for young family occupancy), then we should be willing to give those older citizens the kind of accommodation that is both modest in character and yet comfortable and useful to them.

(4) Our community, our tax dollars in the long run pay for this project. This program is not a "give-away" program so frequently criticized. It is not a "free" program. Any subsidies of rents or reduction of interest rates is ultimately paid for by our taxes. But this program does make it possible to put the community together to solve the problems of rural housing.

It is unfortunate a seemingly arbitrary policy on the part of state FHA administration appears to make and create difficulties in the implementation of the vital rural rental housing program.

NEW LONDON, IOWA.

U.S. SENATE,
Washington, D.C.

DEAR SENATOR CLARK: I received your letter asking me for my opinion on FHA. I served on the Henry County committee and feel it is a very worth while thing for our country to have.

I felt that we were lending too much to the towns and not enough was going to the young farmers. Time after time a young farmer was turned down because there wasn't sufficient funds. These funds were given for golf courses, city sewers and etc. Before a young man can consider farming he has to have something. Usually this something will throw him out when it comes to a loan. I don't mean he had enough to start up just a few acres would throw him out. Yet he would be a good farmer if given a chance.

A young farmer needs this loan and should not be tied in with the Federal Land Bank. The Federal Land Bank wanted in so darned bad but I feel it is not in the interest of any borrower to be tied up with two companies with one loan.

I think FHA should go all the way and give the loan to the farmer we need these young men badly.

The disaster loan was just that a disaster. It was not publicized enough few people knew about it, and fewer people got the loan that should have. I read more about who did get the loan than who could get it. If it was to help people then it should have been made available to them so they could applied.

I realize this letter will be too late to be of any use at the hearing but I can't get there. I do hope you have a good meeting. If you have any closer please let me know.

LEONARD SCHWEITZER.

HAMMOND'S HOUSING,
Slater, Iowa, April 28, 1976.

SENATOR CLARK: Thanks for the opportunity to—"input". Previous commitment—not possible to attend meeting.

A couple of comments—for what they are worth—Re: Farmer's Home Administration.

1. Appreciate the fact that the offices are located close so "business" is easy to conduct. We "deal" with the Story-Boone County offices, located in the Post Office in Ames.

2. We're somewhat "troubled" with the interpretation of the rural housing guidelines by the staff in this county (Story) and at the state office in Des Moines. * * * They—supervisors and directors—indicate that they will not execute housing loans for mobile homes and double-wide mobile homes. It is our "idea" that the intent of the law was to provide dollars for good, adequate, reasonable housing—mobile homes should qualify!

Whatever you could do to assist would be appreciated.

Thanks for providing this opportunity.

HOWARD R. HAMMOND.

P.S.—We've done "business" with the FHA offices for "stick built" houses.

RED OAK INDUSTRIAL FOUNDATION, INC.,
Red Oak, Iowa, April 29, 1976.

Re: Rural Development Subcommittee Field Hearings.

Hon. DICK CLARK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CLARK: Red Oak was fortunate enough to be the recipient of an \$80,000 grant provided by the Rural Development Act of 1972 and administered by the Farmers Home Administration. We would like to go on record in support of further funding and more extensive funding of the Rural Development Act.

The grant we received has allowed us to expedite our development efforts and assist us with our mission of creating primary income jobs for rural Americans. We found working with the Farmers Home Administration to be a pleasurable and efficient experience. Red tape with the Rural Development Act is minimal. Service and cooperation was prompt and effective. Lloyd Scott of the Des Moines office did a fine job of coordinating our project.

The Rural Development Act of 1972 has great potential. I hope that your subcommittee will encourage further funding of the Act and keep the red tape to a minimum.

Yours For A Better Iowa,

A. RONALD KRAFT, General Manager,
Red Oak Industrial Foundation.

VINCENT J. KEEGAN,
Ryan, Iowa, April 28, 1976.

DICK CLARK,
*U.S. Senate,
 Washington, D.C.*

DEAR DICK: Thank you very much for the opportunity you have given to me to speak out on a written testimony on Farmers Home Administration programs.

Over the past 14 years I have taken an active part with the Farmers Home Administration programs in that I have assisted many people of our Ryan area, and encouraged them to avail themselves of the programs which were available to people who were in need of financing for housing, also young farmers who were interested in farm financing.

I also have taken an active part in housing for Senior Citizens, at this present time we have here in Ryan, two Senior Citizen apartment homes, titled, Pleasant View Homes Inc., which were financed by Farmers Home Administration, which has been a great help to our community.

I am also working with Farm Home Administration on plans for a four-plex apartment, for here in Ryan, this project has not been approved as of this writing.

Over all, Farmers Home Administration has been our leading financial source for many years, and has helped many families throughout our area. A program of this type is a necessity for a community of our size.

Sincerely yours,

VINCENT J. KEEGAN.

 CARROLL, IOWA, *April 27, 1976.*

Senator DICK CLARK,
*Federal Building,
 Council Bluffs, Iowa*

DEAR SIR: I am pleased that you are investigating the FHA and am sorry I can't come to testify about the problem we had. With us it was basically a lack of communication. On May 30, 1975 we received a letter saying that we had been approved for a loan. We were assured by Mr. Bartley Noland, the local agent, that we would easily have our check by the middle of June. He said it was just a matter now of running the check through the computer. We made arrangements to move June 26th, we had the movers lined up, people ready to move into our place, and the people we were buying the house from were counting on having their money by July 1st. Starting about June 20th—when there had been no check yet—we started calling the FHA office either in Jefferson or here in Carroll (where they come twice a week) everyday. They kept saying "We can't understand it—it should have been here by now but we're sure it will be here tomorrow". Finally when it hadn't arrived by June 25th we called the office in Des Moines and were told that there would be no more checks issued until after July 1st. Up to that time we had not been given a hint that that might happen—and the agents in Jefferson were not aware that the FHA was out of money. As a result we went ahead and moved anyway but had to pay an extra \$140 in rent and also since we did not receive our check until July 9th and thus did not have the deed until then we were not able to apply for exemptions on our property tax—the homestead and soldiers exemption and so the money loss to us was even greater. And the reason we went through FHA in the first place was because it was low cost!

I hope this helps you in your evaluation and I am impressed by the record keeping that must go on in Sen. Clark's office—it was almost a year ago that I originally wrote.

Sincerely,

 MRS. ALLAN GREEDY.

IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY,
Rock Rapids, Iowa, April 27, 1976.

Hon. DICK CLARK,
U.S. Senate, Washington, D.C.

DEAR MR. CLARK: This letter refers to your request for items on rural development.

I am the County Extension Director in Lyon County, Iowa. A number of years ago our county rural development committee proposed the idea of a rural water system. On the committee were representatives from Farmers Home Administration, ASCS, Soil Conservation Service, State Conservation Commission and the Extension Service.

Skipping the details and a description of the preliminary legwork, there is now a Lyon-Sioux Rural water system in use funded through FHA. For the first time some rural wives have water that does a good job of washing clothes and dishes without leaving a residue.

Dairy farmers who had hard water problems with milk stone and residues in their milk pipe lines can now keep them clean without using so much softener and cleaner.

One farm family milking 80 to 100 head of cows told me their milk production increased enough the 1st two weeks they were on the new water system to pay for the entire month's water bill.

A veterinarian said many of his clients baby pig problems began to clear up. If the farmer's electricity is off due to storm damage he still has water pressure unless the outage also affects the systems pumps and the towers are drained dry.

People looking for a farmstead for a farming enterprise or for a vacated farmstead for a building site now check to see if it's on a rural water system.

Some farmers have a good source of water and a dependable well but many cannot get good water on their own property. Some farmers and landlords think it too expensive and unnecessary. The aggressive farmer signed up immediately.

Also the ones who had spent thousands of dollars and still had a poor well. I feel certain that some day farmers will have the same feeling toward rural water systems as they now have toward electricity. They wouldn't be without it. This is a real good example of funding that has improved rural living.

Sincerely yours,

ROGER A. BALDWIN,
County Extension Director.

CITY OF IDA GROVE,
Ida Grove, Iowa, April 28, 1976.

Senator DICK CLARK,
*Russell Office Building,
Washington, D.C.*

DEAR SENATOR CLARK: I am sorry that I cannot be with you at Bondurant this coming Saturday, but an appointment with my dentist on Friday will put me out of circulation for a few days.

For the past eight years the City of Ida Grove, Iowa, has been making applications to HUD for assistance in improving our community in several ways. Our main request was for assistance in correcting a flood factor on Badger Creek which runs thru the southern and western part of Ida Grove. These requests have been denied; we expect to continue asking for a block grant for this purpose in the coming years. Other requests have been for low rent housing, improvement of recreational areas and future developments in our parks program.

While attending the Northwest Iowa Community Conference in Washington, D.C. last November 10-12 I entered into a rather heated discussion with Mr. L. D. Elwell, Assistant Administrator, Farmers Home Administration, and I believe Mr. Bill Warfield, Special Assistant for Housing Production, HUD, pointing out that neighbor agency was doing very much for the smaller communities in Northwest Iowa in relation to developing low rent housing for the elderly. They agreed.

The housing matter is one that has been kicked around repeatedly with our smaller communities getting very little assistance. From my letter to Mr. Elwell dated November 21, 1975, you can ascertain the gist of our local problem. I had a very nice reply from Mr. Elwell but I cannot find it just now so I could send a copy along to you. He did say that there would be a conference between HUD and FmHA during the winter months and that a determination should be made early in March 1976 for the handling of low rent assistance under Section 8 or the FmHA program for housing programs such as we are carrying out in Ida Grove.

My letter to Mr. Elwell dated April 14, 1976, brings our low rent housing program up to date. We feel that we are doing a good job of developing low rent housing for the elderly. All of the people in our 12-unit project are very happy with their housing. We have a waiting list of 27 applicants at this time for the 20 units we hope to start this summer or early fall. A survey made locally indicates that we have 397 people 65 and older living here. You can see that we have the people to more than fill the units we plan to build.

Now the big question is "can we get low rent housing supplements for a number of our prospective tenants?" If HUD or FmHA cannot grant this assistance then we are not truly a help to the low income people we hope to serve.

Dick, I am truly sorry that I could not attend your conference. I know I could have done a more forceful job about these matters by talking to you and your conferees. I sincerely hope the conference is a big success.

Yours respectfully,

THEODORE E. MURPHY,
Mayor.

LITTLE SIOUX, IOWA, May 27, 1976.

Senator DICK CLARK,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CLARK: I am writing to you in regards to some of the problems we have faced in our dealings with the F. H. A. on the construction of Water systems and a low rent four plex apartment in our town.

Our town is located on the extreme edge of the western side of Harrison County one and one half miles from the Missouri river and one mile from a range of hills. It is an ideal location for a town as the elevation is high enough that we have no problem with surface water and have never been flooded since records have been kept. We are also one mile off interstate highway no. 29.

We first applied for a loan from F.H.A. in 1965 to construct a water system in our town. The F.H.A. representative met with the town council to explain the procedures they would have to follow to secure a loan, forms were filled out and sent to F.H.A. office which for our section was located in Harlan, Iowa a distance of some fifty miles, numerous forms and changes of forms were sent and time went by without many results. Elections were held and new members came on the town council as well as a new mayor and that meant no one was familiar with what had gone on before so new forms had to be made out and submitted. Finally after three sets of councilmen had worked on this project we started construction in 1972. As most of the work by the town is done on a volunteer basis it takes someone who is dedicated to the task at hand and has the time to study and try to determine which forms are to be made out and where to send them. In our case the F.H.A. office was fifty miles away, the consulting engineers firm was in Omaha, Nebraska, sixty miles away, our lawyer was twenty miles away, the health department was forty five miles away and the firm designated to sell the bonds was in Des Moines, one hundred twenty miles away, when you had to deal with all these agencies it took a lot of time and was quite an expensive task. You could not depend on mailing this information as sometimes it would lay on someones desk for long periods of time and you would have to go see about it anyway so to save time you delivered it. I traveled to the State Highway Commission offices at Denison to get an easement signed which would allow us to place the water lines under the state highway, the man who was to sign the forms had a broken leg and no one else in the office would sign them. If your attorney does proceed without the forms and sets everything up then he will have to do it all over again in about three months when the forms do arrive.

The F.H.A. representative and the consulting engineer decide what size system you need and draw up the plans, after our system was set up the design of the standpipe was changed from a twelve foot diameter to an eight foot diameter and when we questioned the engineer he said talk to F.H.A., I wonder why we need such an expensive engineer if F.H.A. decides what system we need.

We next decided to try and build a four plex housing unit for senior citizens and it took two years of filling out and submitting forms before we started construction on it. Again some of these forms are very complex and they are not easily understood, on the property that we planned to build the unit our lawyer obtained a quit-claim deed and three months later the F.H.A. informed us that we had to have an abstract firm bring a deed up to date, if it had stated that on the forms it would have saved time and money.

F.H.A. gave us a list of contractors within a radius of fifty miles of our town to send the plans to, our local contractors would not bid on this type of construction as they were not familiar with the forms required or with the procedures of F.H.A. As it turned out the low bidder was a contractor who had built quite a number of these units for the local F.H.A. office and apparently knew just what corners he could cut and get by with it. The inspection by F.H.A. was quite spotty and the contractor strayed from the specifications several times, when this was brought to the attention of F.H.A. and their inspector it was either ignored or passed over as a minor item. Possibly this is why these contractors continue to be the low bidder.

The construction of the walks and steps to the building was not completed as scheduled but we were instructed to rent the units anyway which we did as our payment to F.H.A. started. The contractor placed a piece of plywood on some bricks and these elderly people had to use this makeshift arrangement until spring. We were fortunate no one was injured using this. There was a penalty clause in this contract but no penalty was ever assessed on the contractor.

I was recently questioned as to the reason we had not applied for a loan to construct another unit of housing. The reasons are as I have stated in this letter. The numerous complicated forms required, the delays in the handling of applications, the lack of backing from F.H.A. officials or the Inspector when construction deficiencies were reported to them. I personally would not go through the hassle again even for pay and there is no one who has more interest in the good of the community than I do.

When we built this unit it was under a non-profit corporation and not to be taxed, now the state has ruled that property taxes must be paid on these units and as the tax will be around thirteen hundred dollars per year we are forced to raise the rent of each apartment by a total of thirty five dollars per month, this does not seem like a great amount to someone who is working but to the elderly on a fixed pension or social security it can mean a terrific burden. We already will lose one widow who says it is not possible for her to pay this much rent and still have something to live on.

These are some of the problems we have encountered in our dealings with F.H.A. Although I do not profess to know the answers to these problems, I am sure that there is a better way of doing this.

Respectfully,

MRS. ROY G. BREELING.

RATHBUN REGIONAL WATER ASSOCIATION, INC.,
Centerville, Iowa, May 26, 1976.

HON. SENATOR DICK CLARK,
Senate Office Building, Washington, D.C.

DEAR DICK: I am extremely sorry that I was not able to attend the field hearing on May 1, in Bondurant on rural development. The primary reason was that I was worn out and felt that it was not to my best interest to attempt to be present. I feel that I have expressed my opinion and objectives in the enclosed report, and I hope this can be of some aid in evaluating the program.

If I can be of any further help, you can be assured that I will try.

Respectfully,

KENNETH E. OWEN,
Executive Director.

[Enclosure:]

The Honorable Senator Dick Clark, Chairman of the Rural Development Subcommittee: I appreciate very much having the opportunity to comment on my experiences and relating to you my opinion relative to programs of the United States Department of Agriculture, and in particular, the Farmers Home Administration as it relates to rural development and the Rural Development program. My experiences in dealing with these types of rural problems began in the early 1960's when, at that time, we were working with the Farmers Home Administration through what was then known as the Rural Area Development or RAD. This program had practically no funding and there was very little leadership or guidance provided by any governmental agency. The local people of the community were encouraged to work together in an effort to identify the problems, and hopefully attempt to design an approach towards solving them. The lack of funding, I believe at that time, as well as the lack of leadership, was the primary reason why significant progress was not made at those stages. The need was certainly there then, and really needed attention at that time, and yet we find ourselves a decade later and more, finally beginning to really recognize the problem and the seriousness of it.

Later on, we came on with a new program which, I believe, we called rural renewal and then in 1972, the Rural Development Act was passed which we are operating under at the present time. In 1960 or 61, I served as Chairman of the Agricultural section of the RAD committee and worked with people in the county seat towns which were also involved in attempting to improve their relationship with farm people and with the rural people of the area in the field of trade. Earlier, I had served as a member of the Farmers Home Administration review committee and was really afforded a first-hand view of what some of the real serious needs were of the low income and extremely low income agricultural people. We also, at

this same time, were able to witness the needs of non-farm people living in small rural communities where their sole livelihood depended upon the agricultural income and the well-being of the farmer of that area.

I am quite familiar with my own county, Appanoose, as well as the surrounding counties, and to quite an extent of all Southeast Iowa. I have also worked over the entire state, having served at one time as Iowa Secretary of Agriculture, and also having served in the Iowa legislature. Being a farmer myself, I feel it made it much easier to recognize the problems, the seriousness of the problems, and also recognize the cause and also see methods and means by which these conditions could be greatly improved. My experience on the county committee of the Farmers Home Administration was very revealing as it allowed us to analyze the financial structure, to see the level of management and to see the effect that this management and financing had on the income and the over-all social well-being of these people. In the 1960's, the Farmers Home Administration gave very close supervision to the farm loans and this is, I believe, one of the real keys towards helping the low income and extremely low income families living in rural Iowa and the central part of these United States. In those years the United States Department of Agriculture provided sufficient personnel to supervise their loan program. Today, in my opinion, this is very lacking, and I will analyze this aspect somewhat more. The program is administered generally in four basic areas. 1. The loan program related directly to the needs of farmers; 2. loan programs that are related directly towards farmers and rural residents in the area of individual housing and multiple unit housing; 3. loan and guarantee programs related to business and industrial development in rural areas; and 4. loan programs related to the needs of communities in rural areas.

The farmer loan program authorities involve basically three loan program types: farm real estate purchase, farm operating loan, and emergency loan programs that usually come about as a result of a natural disaster. Rural housing loan programs relate to individual loans to provide housing to low and moderate income rural residents. There are also loans available to individual corporations and non-profit groups to provide rental housing units to low and moderate income rural residents, as well as senior citizens. The farmer loan programs and the rural housing and rental loans are insured loans made and serviced by the Farmers Home Administration. The business and industrial loan guarantee programs, the authority which was granted to the Farmers Home Administration in the Rural Development Act of 1972, is a program to provide loan and/or guarantee to facilitate the development of business and industry in rural areas. Local conventional lenders provide the financing for most business and industrial ventures with a guarantee furnished and provided by the Farmers Home Administration. Community program loans are insured loans for the development of needed community facilities in rural areas. Most of the community loans made in Iowa have been to municipalities to finance needed sewer and water improvements. Recently there has been a great deal of interest in rural water systems, and there has been a good many loans made over the state to finance the development of centralized water system to service rural areas. When I speak of rural areas, I, of course, am thinking of farmers and also others living in the small communities. Most of the water associations are serving farmers and those small communities that have no other means or methods of acquiring such a water service.

The Rural Development Act of 1972, provided many authorities to the U.S. Department of Agriculture for development of rural America. Some of these authorities, in fact many of them, have been given to the Farmers Home Administration for implementation. The business and industrial guarantee authority has been implemented to quite an extent in this part of the state. I am aware of a guarantee issued in Appanoose County for the development of a 62 bed nursing home, and also a guarantee issued in Wayne County for the enlargement of an operation for grain-handling and processing manufacturing firm. Outside of this area, in Southeast Iowa, I am also aware of two other business and industrial guarantees that have been issued for the construction of a nursing home, and of a guarantee issued to a meat and vegetable processing and packing firm, and also to another industry in Southern Iowa that manufactures steel grain bins.

Another authority that was granted in the Rural Development Act of 1972, and has been implemented in the area, is the industrial development grant authority. As I understand it, this program is designed to aid local communities in developing sights and locations for possible industrial expansion or locations for industries. Grants have been made available to Albia and Centerville, Iowa, in the four county area, of which I am most familiar, and to two other communities in Southeast Iowa. The community facility loan program was expanded

under authorities granted by the Rural Development Act of 1972. I have been informed recently that Lucas and Monroe county, in this four county area, currently have applications on file with the Farmers Home Administration for the construction or renovation of needed health care facilities.

I would like to give my personal feelings as they regard future needs in the areas of program; the levels of funding and staffing of the Farmers Home Administration. I mentioned the Farmers Home Administration specifically because of the importance of the assignment in the area of improving the quality of life in rural America.

As I stated before, it was my privilege to serve on the county advisory committee of the Farmers Home Administration for a number of years. It gave me a tremendous opportunity and insight into the purpose of the loans and of the benefits that can be derived from this type of a loan program with proper supervision. I must emphasize once again, that I firmly believe that this individual supervision given by the staff of the Farmers Home Administration, and its employees, is a critical ingredient in many of the programs which are under the supervision and administration of the Farmers Home Administration. The success of these loans and the benefits that are derived from making them are directly related to the manner in which they are carried out. In many cases, farmers, small businesses, and communities are in trouble because they have lacked guidance and lacked proper organized supervision. I would emphasize that specific emphasis should be directed toward seeing that the communities where these needs exist are staffed with trained and qualified personnel. The work load given each individual supervisor, whether it be in a county on a local level, or a district, has increased manifold over the past decade. These additional assignments have placed a burden on the personnel, which makes it impossible to function efficiently and satisfactorily. It makes it next to impossible for them to meet the additional needs that are developing in rural Iowa and rural America.

I am also very concerned about the lack of opportunity afforded the young farmer to get into the business of farming and have the potential of eventually owning at least part of their own farms. Today, the amount of funding available to young farmers through farm purchase loans, doesn't even begin to meet the needs. To me, I feel certain that if young farmers are to be afforded the opportunity of operating, maintaining, and eventually owning their own farms, that the levels of funding for farm loans and the farm loan program, is going to have to be greatly increased. Here again, I must emphasize the need for Farmers Home Administration employees to supervise these loans as this type of supervision is particularly important to the young farmer. There is no way that this type of supervision can be carried out successfully, in my opinion, without additional staffing of the local Farmers Home Administration offices.

The rural housing loan program of the Farmers Home Administration has also increased tremendously during the past few years. These offices are now charged with the responsibility of financing needed homes for low and moderate income families, and they also have authority in the area of providing the financing for apartments for multiple housing facilities to be occupied by low and moderate income rural residences and senior citizens. It appears to me that with their present authorities, they are only able to reach the moderate income group. Those families and individuals with low and extremely low incomes cannot avail themselves of individual loans or even the housing made available through the rural rental housing loan programs.

Urban areas currently have programs available through HUD to finance multiple housing structures for the extremely low income families, but we must remember that these programs are not currently available in rural areas. The United States Department of Agriculture and, in particular, the Farmers Home Administration, and its employees, are charged with the responsibility of identifying and responding to these local needs. I am convinced that this is not being done in many areas of the state. I believe that one of the basic reasons is that it is not being accomplished, is due to the fact that the Farmers Home Administration does not have the staff necessary to carry on these functions. The programs which they are charged with administering have grown in number tremendously. If they are to administer these programs satisfactorily and to the advantage to rural people, it is my opinion that additional staffing is required to reach this objective.

It may sound that I am beating the drums to greatly expand the personnel in the United States Department of Agriculture, and in particular, the Farmers Home Administration, and this is the furthest from my mind. I have always had

a very strong community interest and feeling for the people within these communities. I personally feel that the Rural Development Act of 1972, is one of the greatest programs that could ever be derived for rural America, and I also feel just as strongly that it is of extreme importance that these programs now be implemented to a high degree. To let this type of a program lay idle and go unattended, is to simply allow this sore to grow larger and deeper. It is yet at a stage when a great deal can be salvaged in the rural areas, the farmer and the small community. I see it happening locally and I feel that we are one of the more fortunate areas in this field. We have had more nearly an adequate amount of personnel than other areas, and they have worked a great deal in developing local leadership, which is an absolute must if these programs are to succeed. But in order to develop this local leadership, it is important that we have the staff and personnel associated with the agency to provide the guidance and the supervision and the know how to achieve our ultimate goals.

My experiences with the Farmers Home Administration have been excellent. Again, I think I live in one of the more fortunate situations where the benefits per man have been tremendous. I also know that other areas of Southern and Southeast Iowa are not so fortunate as we are here in this section. I feel that things could be greatly improved here if the personnel were able to spend more time in working with local people to help make these programs of the Rural Development Act a reality. I have worked in recent years and months very closely with the Farmers Home Administration in developing a four county rural water system in Southern Iowa. This covers the entire area of four counties, as well as the border areas of all counties adjoining us. This project is probably more than 50% completed now as far as the construction is concerned. We are expected to take somewhere in the neighborhood of an additional year, to bring all construction to a final conclusion. The work that has gone into this started actually in 1968. It really didn't get well underway until 1972 and 1973. Without the help of the personnel associated with the Farmers Home Administration, it wouldn't have anyways near got off the ground.

It will soon be a reality, and I will certainly look forward to saying thanks to the people of the Farmers Home Administration for their assistance in developing this project. I don't want to be misunderstood that this is not all the work of one agency or one person, many other governmental agencies have cooperated in it, but the lead agency was the Farmers Home Administration. In summary, I would like to make a few brief statements. 1. Since the beginning, the Farmers Home Administration is the agency that has been assigned the responsibilities of handling high-risk loans. In other words, loans that no other agency or conventional lending agency would touch. Their loss ratio has been extremely small. It has been small because they did give these loans close supervision, and even though they were extremely high-risk ventures, they have been made to succeed. It is my hopes that additional staffing can be made available to carry on the wishes of the Congress in this area of rural development. 2. Additional loan funds should be made available for farm ownership loans in the field of agriculture. 3. Loans and grant funds should also be made available to assist in developing the rural community and to help provide some of the facilities which otherwise cannot be financed.

I wish to express my thanks for the opportunity of presenting my views relative to this agency as it relates to the development and improvement of the social well-being of rural America.

Thank you.

Respectfully,

KENNETH E. OWEN,
Executive Director.

P.S.—I apologize for the delay in presenting this.

CITY OF CONESVILLE,
Conesville, Iowa, April 28, 1976.

Senator DICK CLARK,
Post Office Box D, Council Bluffs, Iowa

DEAR SENATOR CLARK: I am in receipt of your letter dated April 23, 1976, regarding a meeting to be held at Bondurant, Iowa, on May 1st, regarding the Rural Development Act of 1972. I apologize for not being able to attend this meeting but I find myself committed for that day.

The Rural Development Act of 1972 is of extreme importance to the small city, primarily because this is one of a very few sources of Federal assistance that

is generally known to the small city mayors. Small cities, such as Conesville, Iowa, do not find themselves in a position to compete with the larger cities for these Federal monies. We indeed do not even have the tax base to provide the funds to employ the necessary personnel to pursue obtaining funds. Certainly, in all of the wisdom of the Congress of the United States, there should be a method of providing these funds with less financial outlay and with less paper work.

The plight of the small city is serious. Certainly we will survive, but we must do more than survive, we must be able to offer our citizens the same advantages that the larger cities offer.

Again I apologize for not being able to attend the May 1st conference and I would encourage you to have another conference in the near future located in the eastern part of the state.

With kindest personal regards,

RICHARD SINGLETON,
Mayor, Conesville, Iowa
Director, League of Iowa Municipalities.

CITY OF PACIFIC JUNCTION,
Pacific Junction, Iowa, May 5, 1976.

Subject: Rural Development Subcommittee Field Hearings.

Senator DICK CLARK,
Post Office Box D, Council Bluffs, Iowa

DEAR DICK: We decided to express our views in writing regarding the Farmers Home Administration Programs, rather than provide oral testimony at your May 1, 1976 hearings in Bondurant. We do appreciate the opportunity to be heard on this matter.

The goals of the Rural Development Act of 1972, in our opinion, are not being met. The development in rural areas is being restricted through lack of funding, both in terms of total funds available for all programs, as well as the amount of grant funding made available to the individual applicant.

The lack of total funds available appears to be the responsibility of our present administration and not that of Congress. We cite the 1975 Congressional appropriation of \$250,000,000, and President Ford's impoundment of \$200,000,000 of this appropriation in November, 1975 as an example. Iowa alone has 700 municipalities under 1,000 population; were the remaining \$50,000,000 to have been equally divided among these Iowa communities, they would have only received \$71,500 each, a meager amount applied to the cost of a water distribution system, or a waste water collection system. It is our understanding that President Ford is asking that no appropriation be made this year toward Rural Development. This is a sad commentary on the actual concern felt for Rural America, when you consider the millions of dollars allocated to metropolitan areas on a continuing basis.

We feel the level of Grant Aid available to the individual applicant through FmHA needs revision. The present Grant Aid obtainable through FmHA for a waste water collection system ranges from 30% to 50%. We do not know if this percentage was created by law, department policy, or merely in an effort to spread limited appropriations to as many applicants as possible; in any event the amount is inadequate, and we cite our own case as an example. We are just entering into preparations for a study of our waste disposal needs, but at this point it appears the total completed project will be approximately \$600,000. Assuming we were granted \$300,000, it would still leave \$300,000 to be borrowed, and in a community of this size that amount becomes prohibitive.

We feel that criteria should be established that could provide for aid ranging from a low interest loan to total grant funding. Factors used to determine the type of aid to be provided should concern themselves with at least the following:

1. Impact on the environment through providing or not providing the aid.
2. The per capita income of the community involved.
3. The tax base of the community involved.
4. The long range view of aiding a given community. (a) The potential for the applicant to provide added housing and employment locally through systematic growth. (b) The potential for aiding the stable growth of areas around the applicant. (c) The potential for lessening housing and employment needs in nearby metropolitan areas.
5. The potential for providing setting in which new industries or markets might develop.

We in Rural America have land available and suitable for agriculture, industry, and housing, we are an industrious people, we offer an escape from the overpopulation of the major cities, but we need assistance to achieve our potential. We hear oratory about the social ills of our congested metropolitan areas, we spend millions of dollars annually studying the adverse effects on society of this congestion, and spend practically nothing to alleviate the problem. We concern ourselves verbally with the clean air problem in heavily motorized and industrialized cities, we spend millions of dollars annually creating agencies to enforce anti air pollution laws, we compel industry to spend additional millions of dollars on control devices, the cost of which is inflationary because the consumer must pay the cost, we do not actively encourage industry to relocate in areas where air pollution controls would be more effective, and yet Rural America could help alleviate this problem with assistance representing a fraction of the present cost.

We have taken a broader over-view than perhaps you intended, but we feel the ability of Pacific Junction to become a more valuable asset to both Iowa and the Nation, is directly linked to Congressional action that will develop all of Rural America.

Very truly yours,

VIRGIL B. FAULKNER,
Mayor, Pacific Junction, Iowa.

KERNDT BROTHERS SAVINGS BANK,
Lansing, Iowa, April 30, 1976.

Hon. DICK CLARK,
*U.S. Senate,
Washington, D.C.*

DEAR DICK: Reference is made to your letter dated April 23, 1976, in regard to the hearing that you are holding tomorrow at Bondurant in regard the Farmers Home Administration.

I am sorry but because of a previous appointment, I can't be at the hearing. I do appreciate very much your invitation, and I have a few comments about the Farmers Home Administration.

We are probably the first bank in this entire area that began working with the FmHA when they first started; and, really and truly, they have been most helpful in our area; in fact, I don't know how we could have gotten along without them. I can assure you that they have not hurt us from the standpoint of competition and they have fulfilled a great need in our area. There just was no other agency, either private or public, that could have handled the work that they have done in this area. We have worked very closely with them and the caliber of their personnel in this area have just been tops as far as we are concerned.

They have fulfilled a great need in helping young farmers get started; and although at times I am sure it has been difficult, I feel they have done an excellent job in this field. In latter years they have helped this area in the financing of homes that the banks couldn't or wouldn't handle. Even in our area, it was difficult to get the Savings and Loans to make long-term real estate loans; consequently, FmHA has been the only source of help for young people who desired to own their own home. But even now, this is becoming more and more difficult because the requirements for a bank make it almost impossible to make a home loan and keep the payments within reason. Under Iowa Law, banks are required to take 25% down and the balance must be amortized within twenty years.

This is one area that we really need the FmHA, but their formula sometimes limits who can obtain such a loan. We recently had three applications here where the people were very worthy of a long-term home loan, but they couldn't qualify under the FmHA regulations; two of them earned too much and the other owned a small home in another community which really didn't amount to very much but was just enough to prevent him from getting a FmHA loan. All of the applicants were really worthy of a loan from the bank; but because of this 25% down and twenty-year amortization, they really couldn't get a bank loan because they couldn't meet the payments. This is an area where FmHA might be improved.

Again, Dick, I am sorry that I can't attend your hearing. I do appreciate being invited, and I want to congratulate you on the efforts that you have made and are making on behalf of your constituency.

Yours very truly,

T. M. KERNDT,
President.

RIVERSIDE SENIOR VILLAGE,
Riverside, Iowa, April 28, 1976.

Senator DICK CLARK,
Washington, D.C.

DEAR SENATOR CLARK: We are very proud of our new Senior Village consisting of fifteen apartments and a community room. It was constructed last year with a fifty year loan from Farmers Home Administration and is truly an asset to our rural community of approximately 800. It, along with two other projects, won third place in the Community Betterment Program last year and we were presented two awards by Governor Robert Ray.

Our Farmers Home representative, County Supervisor from Sigourney (recently moved to California), learned procedure with us and we had some trying times. However, we presently have most of our difficulties ironed out.

Would Farmers Home Administration have a program to help our community, financially or otherwise, to renovate or construct a grocery store? The townspeople, especially the senior citizens (some cannot drive), speak of this as our greatest need.

Sincerely yours,

Mrs. HAROLD WEIMER, *President,*
Riverside Elderly Development Corp.

STATEMENT OF LARRY D. POLING, SECRETARY-TREASURER, EDGETOWN, INC.,
STATE CENTER, IOWA

I am the Secretary-Treasurer of Edgetown, Inc., the owner of Edgetown Apts, an FHA financial housing project. State Center is located between Ames and Marshalltown on highway 30. (Pop. 1232-1970 census)

At the conclusion of the Bondurant meeting, I briefly discussed this problem with Mr. Bill Woodring. Mr. Woodring encouraged me to submit this testimony.

Almost 1 year ago we started discussing the above project. We were told that because of our financial statements, only eight units could be built at this time, (16 were requested—later cut to 15 because of footage requirements.) the remainder of the project after the first 8 were rented. In order to do this, we had to purchase over half of the property that would be involved when totally completed. This was approved by the original land owner. The only entrance to this property has been sold to Edgetown, Inc. The original owner has no entrance to his property greatly decreasing the value unless the project is completed.

At the present time the local news media is telling of another FHA financed housing project of 24 units to be constructed soon in State Center. (copy attached)

This is hard to understand because of our being limited to 8 units and our understanding that FHA would allow only one project in a community to be built until all units were rented.

It is hard to believe that a prudent man would make such a move. State Center (Pop. 1232-1970 census) has a questionable need for the number of units proposed. (39 in total) It would seem we could end up with one project half constructed and another in financial trouble because of too many units.

Edgetown, Inc., was required to have 16 market surveys for the 1st 8 units, to my knowledge the 24 unit project has made no survey, as this would have to have been done with some advertising. Yet, they claim to have obtained the necessary funding.

All discussions with the State Office on this subject are being handled by our architect. To date we have no response.

After deciding not to wait to be hurt by this action, we urge you to look into this matter. Waiting could be too late.

[Reprinted from the Melbourne Record, April 13, 1976]

SECOND RETIREMENT HOME IS PLANNED

State Center—The town of State Center will apparently catch up with surrounding communities which have already built retirement homes, after it was revealed at a special meeting of the city council last Thursday evening that a Des Moines concern plans to build a retirement complex on the Figgins property south of the Rose Garden.

About a year ago, James Levy had appeared before the council requesting assurance of proper water, sewage and electrical service, for a retirement complex, and the council voted to provide same.

No further word was heard from Levy until Levy's associate, Mr. Malone, recently contacted Mayor Goodman, and the special meeting was requested.

Malone, who was at the meeting, said they plan to have six buildings in the "Prairie Village" complex, each with four apartments. The apartments would be for retired persons over 62.

Malone said preliminary work on the project was already underway, and that they had obtained the necessary funding.

In early October, Larry Poling of State Center appeared before the council and told of plans for an apartment complex for low-income over 65 persons to be built on the Kenneth Poling property. Approval was given by the council to provide the necessary municipal services for the Poling "Edgetown Apartments" at this meeting. The land has been cleared, and construction was slated to begin early this spring.

Also at the meeting Thursday night were two representatives of Clappsaddle-Garber & Associates, the firm that is preparing the plans and specifications for the town's proposed sewer project to serve the Edgetown Apartments, Casey's General Store and others in that part of town.

Les Wolf of the engineering firm presented the plans and specifications for the sewer project, and following discussion, especially with the proposed new retirement complex entering the sewer project picture, a tentative date of May 21 was set for bidding on the project.

Nothing definite was decided on the sewer project, until the city hears again from the engineers.

Dwight Betts from Story City, of the firm that prepared a study and recommended new electric rates for the City of State Center, was also present at the meeting. Betts presented a proposed industrial commercial rate, and the council went over a draft of a new electric rate ordinance.

No definite action was taken in the nearly three and a half hour session.



