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## NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS

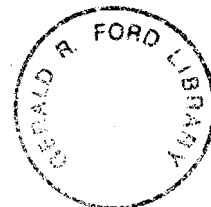
BOSTON, MASSACHUSETTS

MAY 12, 1975

AT MY SWEARING-IN CEREMONIES BARELY TWO MONTHS AGO, PRESIDENT FORD STATED THAT THEREAFTER ANYONE WHO HAD A COMPLAINT ABOUT HOUSING SHOULD "HEAD FOR THE HILLS". THAT BIT OF PRESIDENTIAL ADVICE HAS BEEN WELL-HEEDED. IN THESE PAST 8 WEEKS I CAN TELL YOU THAT THE COMPLAINTS HAVE NOT ONLY HEADED FOR, BUT HAVE ARRIVED AT "THE HILLS". BUT, THE SOLUTIONS ARE TAKING A SOMEWHAT SLOWER PATH. I AM GLAD TO BE HERE WITH YOU TODAY TO SHARE MY THOUGHTS ON THE PROBLEMS OF THE HOUSING INDUSTRY.

THE HOUSING INDUSTRY FACES BOTH LONG AND SHORT-TERM PROBLEMS. OUR SHORT-TERM PROBLEM IS THE CURRENT SLUMP IN HOUSING STARTS AND MORTGAGE LENDING, OF WHICH YOU ARE ALL TOO WELL AWARE.

THAT SHORT-TERM PROBLEM, AS PRESSING AS IT MAY BE, IS ONLY A SYMPTON OF THE REAL ILLS OF THE HOUSING AND MORTGAGE FINANCE SECTORS OF THE ECONOMY.



HOUSING IS A CAPITAL INTENSIVE INDUSTRY. THUS, WHEN INTEREST RATES RISE, MONEY FLOWS OUT OF THRIFT INSTITUTIONS LIKE YOUR OWN, CREATING A SCARCITY OF MORTGAGE FUNDS AND A RESULTING DECLINE IN HOUSING STARTS. THE CURRENT DOWNTURN IN THE HOUSING INDUSTRY IS ONLY THE LATEST MANIFESTATION OF THIS CYCLE. THUS, THE REAL PROBLEM OF THE HOUSING INDUSTRY IS NOT ITS CURRENT SLUMP, BUT ITS VULNERABILITY TO ECONOMIC CYCLES.

WE ALREADY HAVE THE BASIC TOOLS TO ALLEVIATE THE SYMPTONS. THE EMERGENCY HOME PURCHASE ACT OF 1974 GAVE THE SECRETARY DISCRETIONARY AUTHORITY, THROUGH THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, AFFECTIONATELY CALLED GINNIE MAE, TO OPERATE A TANDEM PROGRAM. UNDER THIS PLAN, GNMA MAKES COMMITMENTS TO PURCHASE, THEN PURCHASES FROM LENDERS, MORTGAGES WRITTEN AT AN INTEREST RATE DETERMINED BY A STATUTORY FORMULA, WHICH, TODAY, IS 8 PERCENT.



GNMA THEN SELLS THESE MORTGAGES TO THE FEDERAL NATIONAL MORTGAGE CORPORATION, AFFECTIONATELY CALLED FANNIE MAE, OR TO PRIVATE INVESTORS, AT AUCTION, ABSORBING THE DIFFERENCE BETWEEN THE PURCHASE AND SALE PRICE AS A SUBSIDY. THE TANDEM PROGRAM THUS NOT ONLY PROVIDES A SHALLOW SUBSIDY FOR MORTGAGE LOANS, BUT ALSO INCREASES THE TOTAL AMOUNT OF FUNDS AVAILABLE FOR MORTGAGE CREDIT.

DURING THE PAST YEAR, GINNIE MAE MADE COMMITMENTS TO BUY \$12.5 BILLION DOLLARS IN TANDEM PLAN MORTGAGES AT BELOW MARKET INTEREST RATES. TO DATE, WE HAVE PURCHASED ABOUT \$2.5 BILLION DOLLARS OF MORTGAGES LEAVING OVER \$9.5 BILLION STILL IN THE PIPELINE FOR PURCHASE.

A GOOD PROPORTION OF THE COMMITMENTS HAVE BEEN ALLOCATED FOR SPRING AND SUMMER HOUSING STARTS, WHICH SHOULD GIVE A DESIRABLE BOOST TO THIS YEAR'S HOUSING CONSTRUCTION.

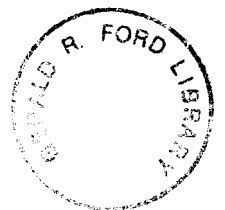
HUD SUPPORTS PENDING LEGISLATION WHICH WOULD INCREASE OUR TANDEM AUTHORITY AND EXTEND ITS AVAILABILITY FOR ANOTHER YEAR, TO OCTOBER 1976. HUD ALSO FAVORS EXTENSIONS OF THE ACT TO AUTHORIZE THE PURCHASE OF MORTGAGES COVERING MULTI-FAMILY PROJECTS, AND INDIVIDUAL CONDOMINIUM UNITS, WHICH ARE NOT FHA-INSURED.



THAT EXTENDED AUTHORITY SHOULD GIVE US A FLEXIBLE AND LOW-COST MEANS TO ASSIST THE MORTGAGE CREDIT MARKET, WITHOUT SIMULTANEOUSLY SETTING THE STAGE FOR FURTHER INFLATION-INDUCED MORTGAGE CREDIT SHORTAGES.

THE VIRUTE OF THE TANDEM PLAN IS THAT IT IS A MORE SIMPLE, AND INEXPENSIVE MEANS OF INJECTING MONEY INTO THE MORTGAGE MARKET THAN VARIOUS SUBSIDY PROPOSALS CURRENTLY BEING CONSIDERED. AND, MOST IMPORTANTLY, IT CAN BE QUICKLY IMPLEMENTED. HENCE, IT IS WELL ADAPTED TO THE RAPIDLY CHANGING MARKET CONDITIONS WHICH CHARACTERIZE THE HOUSING INDUSTRY.

IN CONTRAST, CONGRESS HAS REACTED TO THE CURRENT SLUMP WITH A MASSIVE OMNIBUS HOUSING ASSISTANCE BILL, CONTAINING A WIDE VARIETY OF NEW, COMPLEX AND EXPENSIVE INTEREST SUBSIDIES FOR HOME PURCHASERS. IN WASHINGTON, A CONFERENCE COMMITTEE IS HAMMERING OUT THE DETAILS OF THIS MASSIVE NEW SPENDING MEASURE. BETWEEN THEM, THE HOUSE AND THE SENATE HAVE PASSED PROVISIONS WITH A PRICE TAG WHICH COULD EXCEED \$2.4 BILLION DOLLARS.



WE DO NOT BELIEVE THAT SUCH MASSIVE NEW SPENDING IS REQUIRED. TO THE CONTRARY, WE FEAR THAT SUCH SPENDING THREATENS THE INCIPIENT RECOVERY OF OUR ECONOMY AND, MORE IMPORTANTLY, HOLDS THE PROMISE OF ANOTHER INFLATIONARY CYCLE THAT WILL EXACERBATE THE HISTORICAL SWINGS OF THE HOUSING INDUSTRY.

FORCING TREASURY BORROWING ABOVE A TOLERABLE LEVEL WILL DEplete AVAILABLE CAPITAL, AND DRIVE UP THE COST OF MONEY TO THE POINT WHERE THE ECONOMY WILL AGAIN PLUMMET. LEADING THE PLUNGE, AS ALWAYS, WILL BE HOUSING. IT IS FEAR OF ANOTHER SUCH PLUNGE THAT ACCOUNTS FOR PRESIDENT FORD'S GREAT CONCERN WITH THE PROSPECT OF AN UNRESTRAINED BUDGET DEFICIT.

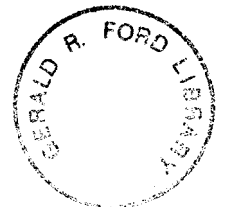
CONGRESS' REACTION TO THE HOUSING CRISIS REMINDS ME OF THE AIRLINE PILOT WHO PROUDLY ANNOUNCES TO HIS PASSENGERS, "WE HAVE A GOOD TAILWIND, PERFECT WEATHER, WE ARE BREAKING ALL COMMERCIAL SPEED RECORDS." "BUT WE'RE LOST." THE BILL'S LACK OF FOCUS MAKES ONE WONDER IF CONGRESS REALLY KNOWS WHERE IT'S GOING, ALTHOUGH IT'S GOING THERE FULL SPEED AHEAD.



TO ILLUSTRATE, THE SENATE BILL AUGMENTS HUD'S TANDEM AUTHORITY WITH AN AUTOMATIC "TRIGGER" MECHANISM, WHICH GOES INTO EFFECT WHENEVER HOUSING STARTS FALL BELOW A 1.6 MILLION ANNUAL LEVEL FOR 4 CONSECUTIVE MONTHS.

IF THAT PROVISION HAD BEEN IN EFFECT OVER THE PAST 11 YEARS, THE TRIGGER WOULD HAVE BEEN PULLED IN 8 OF THOSE 11 YEARS. AT WHAT COST TO THE TAXPAYERS, I CANNOT SAY -- NOR CAN I SAY WITH PRECISION HOW MUCH WORSE OUR INFLATION RATE WOULD HAVE BEEN BY NOW AS A RESULT. BUT I CAN SAY WE WOULD HAVE OFTEN UTILIZED THIS RESOURCE WHEN IT WAS NOT NEEDED. THE TRIGGER WOULD ROB THE "TANDEM PLAN" OF ONE OF ITS GREATEST ASSETS -- ITS FLEXIBILITY, WHICH ALLOWS IT TO ADAPT TO RAPIDLY CHANGING MARKET CONDITIONS.

BEYOND THAT, THE "TRIGGER" IS ATTACHED TO A LOADED GUN -- WHICH MAY BACKFIRE. SUCH A "TRIGGER" MECHANISM WOULD ENCOURAGE CONSUMERS IN A WEAK MARKET TO DELAY CONTEMPLATED HOME PURCHASES -- THUS DRIVING DOWN STARTS AND CAUSING THE TRIGGER TO GO OFF AND FIRE A SUBSIDY AT PROSPECTIVE BUYERS.



APART FROM SUCH GIMMICKS, THE PENDING PROPOSALS PROVIDE FOR VARIOUS DIRECT GOVERNMENT MORTGAGE INTEREST SUBSIDIES. AS A GENERAL PROPOSITION, I AM CONVINCED THAT TEMPORARY INTEREST SUBSIDIES WILL NOT SOLVE THE CYCLICAL PROBLEMS OF THE HOUSING INDUSTRY.

THE SUBSIDY DISRUPTS THE FINANCIAL MARKETPLACE WITHOUT INCREASING THE TOTAL AMOUNT OF CREDIT AVAILABLE FOR RESIDENTIAL CONSTRUCTION.

IN TIMES OF SCARCE CREDIT, AN INTEREST SUBSIDY FOR ONE SEGMENT OF THE HOUSING MARKET ONLY SUBSTITUTES THOSE WHO RECEIVE THE SUBSIDY FOR THOSE WHO WOULD HAVE BUILT OR BOUGHT IF THE PRIVATE MARKET HAD OPERATED WITHOUT INTERFERENCE.

DESPITE THEIR COSTS, THE PENDING BILLS CURRENTLY PROVIDE FOR ONLY 400,000 HOME PURCHASERS TO RECEIVE INTEREST SUBSIDIES. THE MOST PESSIMISTIC PREDICTIONS FOR THIS YEAR ARE FOR THREE TIMES THAT NUMBER OF STARTS, SO THE SUBSIDY MAY NOT ONLY FAIL TO INCREASE BUT MAY ACTUALLY DETER NEW STARTS. SOME HOME BUYERS MAY WELL DELAY PURCHASES IN THE HOPES THAT NEXT YEAR THEY WILL BE ONE OF THE LUCKY FEW TO RECEIVE AN INTEREST SUBSIDY.





THE DEPTH OF THE PROPOSED SUBSIDY IS ALSO OF CONCERN. THE 6 PERCENT INTEREST RATE PROVIDED FOR IN BOTH THE HOUSE AND THE SENATE PROPOSALS IS UNREALISTICALLY LOW. CONVENTIONAL MORTGAGES HAVE NOT BEEN AT THAT LEVEL SINCE 1966. THRIFTS ARE FORCED TO PAY INTEREST ON LONG-TERM ACCOUNTS AT 7 PERCENT OR HIGHER. THERE IS NO WAY THEY CAN COMPETE WITH 6 PERCENT MORTGAGES. HENCE, PRESSURE WILL BUILD TO EXTEND THE PROGRAM, AND THE FEDERAL GOVERNMENT WILL HAVE ALL BUT TAKEN OVER THE PRIVATE MORTGAGE CREDIT MARKET.

THE PROGRAM IS TERMED "TEMPORARY". BUT, AS WE ALL KNOW, ONCE A "GIVEAWAY" PROGRAM IS ENACTED INTO LAW, THE PRESSURE FOR INDEFINITE CONTINUANCE IS ALMOST IRRESISTIBLE.

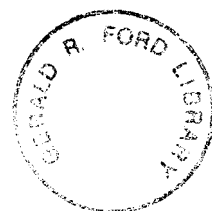
AND, IT SHOULD BE NOTED THAT THE HOUSE VERSION ALLOWS THE ALTERNATIVE OF A 7 PERCENT INTEREST RATE THROUGHOUT THE ENTIRE LIFE OF THE MORTGAGE. IN OTHER WORDS, THE PUBLIC COULD BE PAYING FOR THE COST OF A SO-CALLED "EMERGENCY TEMPORARY" MEASURE FOR THE NEXT 30 YEARS.



THESE INTEREST SUBSIDY PROGRAMS ARE NOT ONLY UNWISE, BUT ALSO UNNECESSARY IN VIEW OF RECENT EXPERIENCE. THE RECORD SUGGESTS THAT VERY HIGH LEVELS OF DEMAND AND PRODUCTION -- WELL OVER 2 MILLION ANNUAL STARTS -- CAN BE SUSTAINED WITH INTEREST RATES RANGING FROM 7-1/2 TO 8 PERCENT. MORTGAGES BEARING ALMOST THAT RATE ARE NOW AVAILABLE UNDER THE TANDEM PLAN.

ANOTHER DANGER I SEE IN THE PENDING PROPOSALS IS THAT THEIR IMMEDIATE EFFECT MAY BE TO STOP -- RATHER THAN STIMULATE -- HOME BUYING. IT WILL TAKE A CERTAIN AMOUNT OF TIME FOR THE MEASURE TO BECOME LAW; AN ADDITIONAL PERIOD IS NECESSARY TO DRAFT REGULATIONS TO IMPLEMENT THE LAW; FURTHER TIME IS NEEDED FOR APPROPRIATIONS. HENCE THE PROBABLE TIME FRAME FOR IMPLEMENTATION IS NEXT FALL -- OR PERHAPS EVEN WINTER.

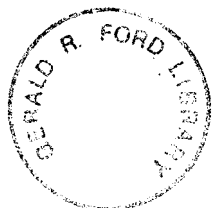
IN THE INTERIM, POTENTIALLY ELIGIBLE FAMILIES CAN BE EXPECTED TO POSTPONE HOUSING PURCHASES UNTIL THE CHEAPER MORTGAGES COME INTO BEING. DURING THAT HIATUS, HOUSING CONSTRUCTION COULD GO FROM DEPRESSED TO ALL BUT NON-EXISTENT.



FINALLY, CONGRESS' PROGRAMS, DESIGNED TO RELIEVE THE CURRENT DOWNTURN, COULD END UP ACTUALLY TAKING EFFECT DURING AN IMPENDING UPTURN WHICH CURRENT FORECASTS PORTEND -- JUST IN TIME TO DO THE MOST HARM, BY CAUSING ANOTHER INFLATIONARY SPIRAL IN HOUSING COSTS.

CONGRESS HAS DIAGNOSED THE PROBLEM OF THE HOUSING INDUSTRY AS BEING HIGH MONTHLY MORTGAGE PAYMENTS. UNFORTUNATELY, CONGRESS SEEMS LIKE THE DOCTOR WHO ANNOUNCES THAT HE HAS SUCCESSFULLY TREATED THE PATIENT'S SYMPTOMS, ONLY TO CONFESS THAT THE PATIENT HAS DIED OF THE UNDERLYING DISEASE IN THE INTERIM. THAT UNDERLYING DISEASE MAY BE A HUGE FEDERAL DEFICIT AND AN EXACERBATED MORTGAGE CREDIT CRISIS.

WE DO NOT BELIEVE THAT WE CAN SPEND OUR WAY OUT OF THE HOUSING SLUMP, WITHOUT INVITING A NEW AND MORE CRIPPLING INFLATIONARY SPIRAL -- IN WHICH HOUSING WOULD BE THE FIRST TO SUFFER.



THERE IS MUCH THAT IS COUNTERPRODUCTIVE IN THE BILLS NOW UNDER CONSIDERATION. WE FEEL THAT THERE IS ADEQUATE FLEXIBILITY IN OUR CURRENT AUTHORITY TO PERMIT US TO ENCOURAGE AND GUIDE THE RECOVERY OF THE HOUSING INDUSTRY. AND, THE PENDING BILLS SIMPLY DO NOT REACH THE LONG-TERM CONDITIONS WHICH GAVE RISE TO THE CURRENT HOUSING SLUMP.

THE ADMINISTRATION IS, HOWEVER, LOOKING FOR SOLUTIONS TO THE UNDERLYING LONG-TERM PROBLEM OF CYCLICAL FLUCTUATIONS IN MORTGAGE CREDIT AVAILABILITY.

WE ARE URGING PASSAGE OF THE FINANCIAL INSTITUTIONS ACT, WHICH CONTAINS MANY PROVISIONS AIMED AT REDUCING THE SEVERITY OF FUTURE HOUSING CREDIT CYCLES.

THE ACT WOULD PERMIT A DIVERSIFICATION OF SERVICES AND INVESTMENTS BY INSTITUTIONS, SUCH AS YOURS, HEAVILY INVOLVED IN MORTGAGE FINANCE, REDUCING THEIR VULNERABILITY TO ECONOMIC CYCLES.

THRIFT INSTITUTIONS WILL BE PERMITTED, FOR THE FIRST TIME ON A NATIONAL BASIS, TO OFFER CHECKING AND NOW ACCOUNTS AND TO ENGAGE IN CREDIT CARD TRANSACTIONS.



THRIFT INSTITUTIONS WILL ALSO HAVE BROADENED LENDING AND INVESTMENT POWERS, TO INCREASE THEIR INCOME AND LIQUIDITY.

THIS INCREASED AUTHORITY WILL INCLUDE NOT ONLY CONSUMER LOANS, COMMERCIAL PAPER AND CORPORATE DEBT, ON A LIMITED BASIS, BUT ALSO CONSTRUCTION LOANS WHICH IS AN AREA OF PARTICULAR NEED TO THE HOUSING INDUSTRY. THIS DIVERSIFICATION SHOULD ALSO RELIEVE THE FINANCIAL COMMUNITY OF MUCH UNNECESSARY GOVERNMENT REGULATION, AND INCREASE EFFICIENCY THROUGH THE PRESSURES OF INCREASED COMPETITION.

THE FINANCIAL INSTITUTIONS ACT ALSO LOOKS TOWARD A POSSIBLE ABOLITION OF INTEREST RATE CEILINGS. WITHIN 5-1/2 YEARS OF ENACTMENT, THERE WILL BE A THOROUGH STUDY OF THE FINANCIAL MARKET AND THE WAY IN WHICH THE ACT HAS OPERATED. ONLY THEN, AND ON THE BASIS OF THE FINDINGS OF THAT STUDY, WILL THE ADMINISTRATION RECOMMEND TO CONGRESS WHETHER OR NOT TO ABOLISH INTEREST RATE CEILINGS.

TO ENCOURAGE BROADER INVESTMENTS IN RESIDENTIAL MORTGAGES THE ACT PROVIDES A TAX CREDIT OF BETWEEN 1-1/2 PERCENT AND 3-1/2 PERCENT OF THE INTEREST INCOME RECEIVED FROM MORTGAGE ASSETS, WHERE AT LEAST 10 PERCENT OF AN INSTITUTION'S PORTFOLIO IS MAINTAINED IN QUALIFIED RESIDENTIAL MORTGAGE LOANS.



BECAUSE THE CREDIT IS SIMILAR TO THE TAX TREATMENT CURRENTLY ENJOYED BY THRIFT INSTITUTIONS IN CONNECTION WITH BAD DEBT RESERVES, A TRANSITION PERIOD IS PROVIDED. INSTITUTIONS SUCH AS YOURS WILL BE GIVEN UNTIL 1979 TO SWITCH OVER TO THE CREDIT METHOD OF TAX TREATMENT.

THE TAX CREDIT SHOULD ALSO BE AN INCENTIVE TO THE SECONDARY MARKET INCLUDING GNMA'S MORTGAGE BACK SECURITY PROGRAM.

FINALLY, THE MORTGAGE INTEREST TAX CREDIT HAS A COUNTER-CYCLICAL EFFECT BECAUSE THE RATE ADVANTAGE OF MORTGAGES WILL RISE DURING TIMES OF TIGHT MONEY MAKING MORTGAGES RELATIVELY MORE ATTRACTIVE TO INVESTORS WHEN CREDIT IS SCARCE.

THE FINANCIAL INSTITUTIONS ACT HAS BEEN CRITICIZED BOTH FOR DOING TOO MUCH AND FOR DOING TOO LITTLE. SOME SAY IT CHANGES COMPETITIVE POSITIONS IN THE INDUSTRY WITHOUT GOOD REASON. BUT WE SEE THE ACT AS SEEKING TO PROVIDE FOR A LESS REGULATED MARKET IN WHICH ALL BANKING INSTITUTIONS CAN COMPETE MORE EFFECTIVELY. THE BENEFITS TO BANKING FROM THIS DEREGULATION SEEM TO ME TO FAR OUTWEIGH ANY FEATURES WHICH ARE SEEN ON A SHORT-TERM BASIS TO FAVOR ONE GROUP OF INSTITUTIONS OVER ANOTHER.



DEREGULATION WILL HELP PROVIDE A MORE CONSTANT AND MORE ADEQUATE SUPPLY OF MONEY WHICH IS ESSENTIAL TO A HEALTHY AND STABLE HOUSING INDUSTRY. A FREER MARKET IS WORTH SEEKING.

THOSE WHO SAY THAT THIS ACT DOES NOT DO ENOUGH MUST REMEMBER THAT WE HAVE NOT AS YET PASSED THIS ACT. WE CAN ONLY PROCEED ONE STEP AT A TIME. TAKE THIS STEP, AND IF THE RESULTS ARE AS WE ANTICIPATE, WE CAN TAKE THE NEXT STEP. IT IS NOT EASY TO REVERSE THE TREND TOWARD HEAVIER REGULATION. MODEST AS SOME MAY THINK THE PROPOSED ACT MAY BE, IT IS A STEP IN THE RIGHT DIRECTION.

WE ARE TAKING OTHER STEPS WITHIN OUR EXISTING AUTHORITY TO EXPAND AND STABILIZE MORTGAGE CREDIT.

FIRST, WE ARE LOOKING FOR WAYS TO ENTICE INTO MORTGAGE FINANCE NEW SOURCES OF INVESTMENT FUNDS WHICH ARE LESS SUBJECT TO CYCLICAL PRESSURES. FOR EXAMPLE, LESS THAN 5 PERCENT OF THE \$217 BILLION UNION PENSION FUNDS IS INVESTED IN HOUSING. WE WOULD LIKE TO SEE THAT INVESTMENT INCREASE.



SECOND, WE WILL ASSIST IN THE DEVELOPMENT OF NEW KINDS OF MORTGAGE INSTRUMENTS TO SEE IF THERE ARE ALTERNATIVES TO THE LONG-TERM STABLE PAYMENT MORTGAGE WHICH COULD INCREASE MORTGAGE INVESTMENT AND BE LESS VULNERABLE TO THE EFFECTS OF ECONOMIC CYCLES.

THE PURCHASE OF A HOME IS, FOR MOST AMERICAN CONSUMERS, THE LARGEST BUSINESS TRANSACTION OF THEIR LIFETIME. THE TERMS OF THIS PURCHASE HAVE A SIGNIFICANT IMPACT UPON CONSUMERS AS WELL AS THE FINANCIAL MARKETS THAT SUPPLY CREDIT FOR HOUSING.

TODAY, MOST OF US TAKE FOR GRANTED THE FULLY AMORTIZED LOW DOWN PAYMENT, LOW MONTHLY PAYMENT, LONG-TERM MORTGAGE USED TO FINANCE HOME PURCHASES. IT WAS THE FHA MORTGAGE INSURANCE PROGRAM THAT BROUGHT ABOUT MARKET ACCEPTANCE OF THAT INSTRUMENT IN THE 1930's.

THIS INSTRUMENT ASSISTED THE NATION TO RECOVER FROM THE DEPRESSION AND SUBSTANTIALLY CONTRIBUTED TO THE DRAMATIC EXPANSIONS IN HOUSING PRODUCTION AND HOMEOWNERSHIP WHICH WE HAVE EXPERIENCED OVER THE PAST 40 YEARS.





TODAY, WE HAVE ENTERED ANOTHER PERIOD DURING WHICH FUNDAMENTAL CHANGES ARE OCCURRING IN THE ECONOMY. WE BELIEVE IT APPROPRIATE TO ASK WHETHER THERE ARE OTHER FORMS OF FINANCING TO COMPLEMENT THOSE TRADITIONALLY USED.

A GOVERNMENT INSURANCE COMPONENT MAY BE USEFUL TO ENCOURAGE NEW FORMS OF FINANCE THAT WILL AMELIORATE CYCLICAL FLUCTUATIONS IN MORTGAGE CREDIT AVAILABILITY.

TO THAT END, WE HAVE UNDERWAY A STUDY BY THE SLOAN SCHOOL OF MANAGEMENT AT MIT ANALYZING A WHOLE RANGE OF VARIABLE PAYMENT MORTGAGE FORMS.

WE ARE IMPLEMENTING THE AUTHORITY CONTAINED IN SECTION 245 OF THE NATIONAL HOUSING ACT, AS REVISED IN 1974, TO EXPERIMENT WITH MORTGAGES AND LOANS WHICH PROVIDE FOR "VARYING RATES OF AMORTIZATION CORRESPONDING TO ANTICIPATED VARIATIONS IN FAMILY INCOME." THE DEPARTMENT WILL ISSUE IN JUNE AN INVITATION TO INTERESTED PARTIES IN THE PRIVATE SECTOR, INCLUDING THE FINANCIAL COMMUNITY, TO SUBMIT PROPOSALS FOR INNOVATIVE MORTGAGE INSTRUMENTS WHICH INCLUDE, FOR EXAMPLE, GRADUATED PAYMENT MORTGAGES; DEFERRED AMORTIZATION MORTGAGES; OR "SKIP-PAYMENT" PLANS. IT IS OUR HOPE THROUGH THIS PROCESS TO HARNESS THE EXPERTISE WITHIN THE PRIVATE SECTOR TO DEVELOP FINANCING DEVICES APPROPRIATE TO THE NEEDS OF THE CONSUMER AND LENDER TODAY.



FINALLY, HUD IS INITIATING A MAJOR STUDY FOCUSING ON THE COSTS, ECONOMIC AND SOCIAL, OF CYCLICAL SWINGS IN HOUSING PRODUCTION. SUCH A STUDY WOULD BE AN IMPORTANT COMPLEMENT TO OUR RESEARCH STUDIES ALREADY UNDERWAY. THESE STUDIES REPRESENT AREAS WHERE YOUR INDUSTRY CAN CONTRIBUTE VALUABLE INSIGHTS AND EXPERIENCE.

GOVERNMENT CANNOT REVITALIZE OR RESTRUCTURE THE HOUSING INDUSTRY ALONE. THE COOPERATION, COUNSEL, AND CONSTRUCTIVE CRITICISM OF THE PRIVATE SECTOR ARE INDISPENSABLE TO THESE ENDEAVORS. I WILL NOT HESITATE TO CALL UPON THE MUTUAL SAVINGS BANKS ASSOCIATION FOR ASSISTANCE IN THE COMING MONTHS.

THANK YOU.

