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THE WHITE HOUSE

NOVEMBER 5, 1975

HUD WILL BE 10 YEARS OLD ON SUNDAY, NOVEMBER 9TH.

ITS JOB IS TO ASSIST IN THE DEVELOPMENT OF WORKABLE URBAN COMMUNITIES, WHICH MEANS: DECENT HOUSING IN A SUITABLE LIVING ENVIRONMENT AND EXPANDING ECONOMIC OPPORTUNITIES -- PARTICULARLY FOR PEOPLE WITH LOW AND MODERATE INCOMES.

THE COMMON DENOMINATOR OF ALL SUGGESTIONS, IDEAS, CONCEPTS AND COMPLAINTS THAT ROLL INTO HUD'S OFFICES IS MONEY.

SOME OF OUR FRIENDS AND ALL OF OUR CRITICS WANT US TO GIVE MORE AT THE OFFICE.

AS A PREMISE TO OUR QUESTION AND ANSWER PERIOD, LET'S TAKE A QUICK LOOK AT WHAT HUD IS DOING.



THE BEST THING THAT'S GOING ON IS THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 -- NOW FOURTEEN MONTHS OLD AS LEGISLATION AND ONLY ABOUT SIX MONTHS OLD IN OPERATION (ALLOWING START-UP TIME FOR NEW PROGRAMS).

UNDER THE ACT, CONGRESS AUTHORIZED \$8.3 BILLION FOR COMMUNITY DEVELOPMENT IN THE FIRST THREE-YEAR PERIOD -- WITH \$2.6 BILLION IN THE CURRENT YEAR.

WITHOUT QUESTION, THE BIGGEST SINGLE CAUSE OF URBAN DECAY IS WASTE. LITERALLY THOUSANDS OF UNITS OF HOUSING ARE ABANDONED EACH YEAR -- CURRENTLY, MORE THAN 50,000 PER YEAR IN NEW YORK CITY ALONE.

IT IS SIGNIFICANT THAT 60 PERCENT OF THE \$2.6 BILLION GRANTED UNDER THE 1974 ACT IN ITS FIRST YEAR HAS BEEN ALLOTTED, VOLUNTARILY BY RECIPIENT COMMUNITIES INTO THE REHABILITATION AND PRESERVATION OF DECAYING NEIGHBORHOODS.



IT IS SIGNIFICANT BECAUSE THESE FUNDS ARE "BLOCK" GRANTS -- UNDER THE PRINCIPLE OF FEDERAL REVENUE SHARING -- IN WHICH THE LOCAL COMMUNITY, AND NOT THE FEDERAL GOVERNMENT, HAS THE FIRST SAY AND FIRM CONTROL OVER THE USE OF THE FUNDS FOR COMMUNITY NEEDS, LOCALLY PERCEIVED.

IT CONFIRMS A TRADITIONAL AMERICAN IDEA -- THAT IF BIG GOVERNMENT KEEPS ITS HEAVY HAND OUT OF LOCAL DECISION-MAKING, OUR CITIES CAN BE COUNTED ON TO MAKE THE RIGHT DECISIONS ON THE CITIES' NEEDS.

ANOTHER IMPORTANT PART OF THE NEW ACT PROVIDES RENTAL SUBSIDIES FOR LOWER INCOME FAMILIES -- ALLOWING THEM TO FIND DECENT QUARTERS IN QUALIFIED BUILDINGS OF THEIR OWN CHOOSING, AT A RENTAL THEY CAN AFFORD TO PAY.

AGAIN, THE LOCAL COMMUNITY ITSELF HAS THE MAJOR SAY IN HOW THE RENTAL SUBSIDIES WILL BE USED, WHETHER IN NEWLY CONSTRUCTED, SUBSTANTIALLY REHABILITATED OR EXISTING HOUSING UNITS.



\$1.8 BILLION HAS BEEN AUTHORIZED FOR THIS PURPOSE.

NEVERTHELESS, I FEEL THAT THE RENTAL SUBSIDY -- IN WHICH HUD PAYS THE DIFFERENCE BETWEEN 25 PERCENT OF THE TENANT'S INCOME AND THE FAIR MARKET RENT -- PROVIDES BOTH AN ECONOMIC INCENTIVE TO THE OWNER TO MAINTAIN HIS PROPERTY, AND AN OPPORTUNITY FOR POOR FAMILIES TO BREAK OUT OF THE CHAINS OF DESPAIR THAT LOCK THEM INTO THE GHETTO.

AND, IT OFFERS THE BEST HOPE OF BREAKING THE OLD MOLD OF PUBLIC HOUSING WHICH, TOO OFTEN, HAS CREATED NEW SLUMS FOR THE DISPLACED POOR OF THE OLD SLUMS.

AS YOU WELL KNOW, THE HOUSING INDUSTRY ITSELF HAS BEEN ONE OF THE HARDEST HIT BY THE TWIN EVILS OF INFLATION AND RECESSION. SO, ONE OF THE FIRST THINGS WE'RE DOING AT HUD IS GIVING OUR STAUNCH SUPPORT TO PRESIDENT FORD'S ECONOMIC RECOVERY PROGRAM.

HOUSING RECOVERY IS TIED IRRETRIEVABLY TO THE RECOVERY OF THE ECONOMY ITSELF.

ALL OF US KNOW THE BAD NEWS. THE GOOD NEWS IS THAT THE PRESIDENT'S NATIONAL PLAN HAS ALREADY BEGUN TO TURN THE ECONOMY AROUND.

IN HOUSING, SALES OF NEW HOMES HAVE RISEN 37 PERCENT SINCE THE FIRST OF THE YEAR. THERE HAS BEEN A 40 PERCENT IMPROVEMENT IN THE LEVEL OF HOUSING STARTS.

THE SECOND THING WE'RE DOING IS FOLLOWING THROUGH ON THE ADMINISTRATION'S FORCEFUL INITIATIVE TO ENSURE GREATER AVAILABILITY OF MORTGAGE CREDIT FOR PERSONS OF MODERATE MEANS.

IN THE PAST 18 MONTHS, HUD HAS OFFERED \$15.5 BILLION TO PURCHASE OVER 500,000 MORTGAGES BEARING INTEREST RATES THAT ARE BELOW THE MARKET RATE. TODAY THAT IS 7-1/2 PERCENT WHILE THE MARKET IS AT ABOUT 9 PERCENT.

FOR THE FAMILY NEEDING A \$35,000 MORTGAGE, A 7-1/2 PERCENT TANDEM MORTGAGE INSTEAD OF A 9 PERCENT MARKET MORTGAGE, SAVES IT \$9,500 OVER THE LIFE OF THE MORTGAGE OR ABOUT \$20 A MONTH.

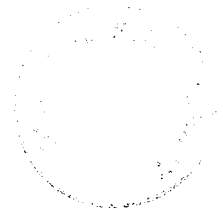
THIS PROGRAM HAS COMPENSATED TO A SIGNIFICANT DEGREE FOR THE RAPIDLY RISING COSTS OF HOME FINANCING AND HAS THUS SERVED TO CUSHION THE SEVERITY OF THE DEPRESSION IN HOUSING.

THE THIRD THING WE ARE DOING IS REACTIVATING HUD'S HOMEOWNERSHIP SUBSIDY PROGRAM -- IN SUBSTANTIALLY REVISED FORM.

TO SPUR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION OF SINGLE-FAMILY HOMES FOR LOW AND MODERATE INCOME FAMILIES AND

TO EXPAND OWNERSHIP OPPORTUNITY FOR THOSE INCOME GROUPS WHO HAVE TRADITIONALLY BEEN PURCHASERS OF NEW HOMES BUT WHO HAVE BEEN PRICED OUT OF THE MARKET BY THE INFLATIONARY SPIRAL.

THE PROGRAM WILL FOCUS ON NEW AND SUBSTANTIAL REHABILITATION AND WILL INVOLVE \$264.1 MILLION IN NEW CONTRACT AUTHORITY.



BY TOTAL INDUSTRY YARDSTICK, \$264.1 MILLION MIGHT SEEM LIKE A SMALL PATCH ON THE ROOF. BUT, IT'S ENOUGH TO SUBSIDIZE MORE THAN 250,000 NEW UNITS OF HOUSING.

AND, 250,000 UNITS TRANSLATES INTO ABOUT SIX-AND-ONE-HALF BILLION DOLLARS IN NEW CONSTRUCTION ACTIVITY AND THE CREATION OF MORE THAN 500,000 NEW CONSTRUCTION JOBS.

CERTAINLY, I AM NOT TELLING YOU THAT THESE THREE FEDERAL PROGRAMS WILL MAKE EVERYTHING COME UP ROSES IN THE HOUSING INDUSTRY THE DAY AFTER TOMORROW.

WE WILL NEED TO CONTINUE TO USE THEM -- WITH CAUTION AND WITH AN EYE ON THE TOTAL ECONOMY.

WE KNOW THAT IF WE MAKE EXCESSIVE USE OF FEDERAL STIMULANTS, WE WILL INJURE THE HOUSING INDUSTRY JUST AS IT IS REGAINING ITS HEALTH.

MEANWHILE, THE INDUSTRY IS FORGING AHEAD. THE UPWARD CURVE MAY BE SAW-TOOTHED, BUT IT IS DEFINITELY SAW-TOOTHING ITS WAY IN THE RIGHT DIRECTION.





IN SHORT:

YES, WE HAVE PROBLEMS -- AND THE GROUND UNDER US HAS ITS SHARE OF POT-HOLES.

BUT, THE CHALLENGE IS WORTH OUR BEST EFFORTS.

INDEED, I THINK WE'RE BEGINNING TO WIN THE BATTLE -- AND WE CAN KEEP ON WINNING WITH THE APPLICATION OF OUR FULL ENERGIES, TIME-HONORED AMERICAN INGENUITY AND THE JUDICIOUS USE OF SOME OLD-FASHIONED HORSE SENSE.

THANK YOU.