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THE 1974 LEGISLATIVE CONFERENCE UNITED STATES
LEAGUE OF SAVINGS ASSOCIATIONS, STATLER-
HILTON HOTEL, 11 A.M., TUESDAY, FEBRUARY 5,
1974

I AM VERY PLEASED TO BE WITH YOU THIS
MORNING. YOUR INVITATION DOES ME HONOR.

I HAVE LONG RECOGNIZED THE IMPORTANCE
OF YOUR LEADERSHIP IN HOUSING FINANCE. AS
THE PRIMARY LENDERS OF CONVENTIONAL MORTGAGE
FUNDS, THE SAVINGS AND LOAN INSTITUTIONS



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PERFORM A VITAL ROLE IN OUR ECONOMY. I
VIVIDLY RECALL FROM MY YEARS IN CONGRESS
THE MANY INSTANCES IN WHICH THE LEAGUE OF
SAVINGS ASSOCIATIONS OFFERED VALUABLE
EXPERTISE IN REFINING AND BROADENING HOUSING
LAWS TO MEET THE NEEDS OF OUR COUNTRY. I
AM AWARE OF THE IMPACT OF INFLATIONARY
PRESSURES ON YOUR INDUSTRY --- AND ON THE
MILLIONS OF AMERICANS WHO WANT TO OBTAIN
MORTGAGES FROM YOU SO THEY CAN BUY HOMES.



YOU ARE HERE ON VERY SERIOUS BUSINESS.
LET US ADDRESS OURSELVES TO THE INTERRELATED
PROBLEMS OF HOUSING AND INFLATION.

BY NOW YOU ARE AWARE THAT OUR NEW
BUDGET SEEKS TO STEER A MIDDLE COURSE IN
ECONOMIC POLICY. WE ARE TRYING TO MOVE
SAFELY BETWEEN TWO DANGEROUS MINEFIELDS.
ONE IS THE MINEFIELD OF TOO MUCH RESTRICTION.
THE OTHER IS THE MINEFIELD OF TOO MUCH
SUPPORT.



WE SEEK TO LIMIT UNEMPLOYMENT BY
AVOIDING A DOWNTURN. IF THE DOWNTURN IS
LESS, THE RATE OF RECOVERY WILL BE GREATER.
WE HAVE FLEXIBLE PLANS TO FIGHT BOTH
RECESSION AND INFLATION.

LET ME SAY FRANKLY THAT WE ARE
MINDFUL OF THE RAPID INCREASE IN THE PRICE
INDEX EXPECTED DURING THE FIRST HALF OF
THIS YEAR. PRICE RISES ATTRIBUTABLE TO THE



ENERGY CRUNCH, MAINLY THE PETROLEUM SITUATION, ARE WORKING THEIR WAY THROUGH THE ECONOMY, AND THERE ARE PAINFUL INCREASES IN FOOD PRICES, ESPECIALLY IN THE AREA OF MEAT AND LIVESTOCK.

TO ACHIEVE A VIABLE MORTGAGE MARKET, PROGRESS MUST BE MADE IN REDUCING INFLATION.



INTEREST RATES MUST BE WITHIN REACH OF PEOPLE WHO WANT TO BUY HOUSES, BUT RATES MUST ALSO COVER THE LOSS OF PURCHASING POWER OF THE LENDER. THE FREE ENTERPRISE SYSTEM IS NOT BASED ON RATES OF LOSS BUT ON RATES OF REASONABLE PROFIT.



THERE HAS BEEN MUCH TALK OF CONTROLS. BUT CONTROLS DEAL WITH THE SYMPTOMS RATHER THAN THE CAUSE. THE REAL WEAPONS AGAINST INFLATION ARE THE OLD-TIME VIRTUES --- A SOUND BUDGET AND A SOUND MONETARY POLICY.

INFLATION IS A LONGTERM PROBLEM.
IT CAN ONLY BE RESOLVED BY PERSISTENT AND
CONSISTENT REMEDIES. OUR PRESENT SPIRAL
IS A MONSTER THAT BEGAN DEVELOPING A DECADE
AGO. WE CANNOT DEFEAT THIS DRAGON WITH
RELUCTANT MEASURES. GIMMICKS AND EASY
ANSWERS AND INSTANT SOLUTIONS WILL NOT WORK.
I REFER TO EFFORTS TO LEGISLATE WAGES, PRICES,
AND INTEREST RATES.



THE SOLUTION TO INFLATION LIES IN A
HARD LOOK AT OUR FISCAL AND MONETARY
POLICIES OVER THE LONG TERM -- AND APPROPRIATE
RESPONSES.

INTEREST RATES, AS YOU KNOW VERY WELL,
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THE CONTROLS OF 1973 WOULD ONLY WORSEN THE DOWNTURN. WE ARE INSTEAD OFFERING A BUDGET TO REACT TO THE NEW REALITY. WE CAN'T LOOK AT THE BUDGET IN ANY CONTEXT OTHER THAN THE NEEDS OF THE DEVELOPING SITUATION. WE CANNOT IGNORE THE DISLOCATIONS CAUSED BY OIL OR THE DECLINES IN HOUSING AND IN THE AUTOMOTIVE INDUSTRY.



YOUR INDUSTRY MUST BORROW FROM
SAVERS. YOUR ABILITY TO DO SO HINGES UPON
CONTROLLING THE RATE OF INFLATION. THE COST
OF MONEY IS INCREASING AT THE VERY TIME OF
HEIGHTENED COMPETITION FOR LIMITED MORTGAGES.
THE LOGICAL MOVE IS TO INCREASE THE MONEY
AVAILABLE TO BORROWERS AND LENDERS.



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MINDFUL OF THE HOUSING CRISIS, THE ADMINISTRATION IS MOVING TO INCREASE FEDERAL DEPOSIT INSURANCE FROM \$20,000 TO \$50,000 PER ACCOUNT.

THE ADMINISTRATION IS DETERMINED TO INCREASE THE AVAILABILITY OF MORTGAGE CREDIT IN THE CURRENT MARKET. WE ARE DETERMINED TO



IMPROVE THE OVERALL CREDIT PICTURE FOR THE
LOAN DEMAND AND TO HELP MEET THE HOUSING
NEEDS OF FAMILIES WITH LOW INCOMES.

ACCORDINGLY, UP TO \$6.6 BILLION IN MORTGAGE
FINANCING WILL BE MADE AVAILABLE WITH
FEDERAL ASSISTANCE.



PROVISION WAS MADE IN THE BUDGET FOR 200,000 UNITS OF SUBSIDIZED PUBLIC HOUSING. BUT SUBSEQUENT TO THE PUBLICATION OF THE BUDGET THE NUMBER OF SUCH UNITS WAS INCREASED TO 300,000. THE UNITED STATES GOVERNMENT IS MAKING IT POSSIBLE FOR RENTERS TO RENT, FOR LENDERS TO LEND, AND FOR BUILDERS TO BUILD.



WE WILL BE ABLE TO MINIMIZE THE UNEMPLOYMENT EFFECTS OF THE ARAB OIL BOYCOTT IF WE ARE SUCCESSFUL IN PREVENTING SHORTAGES THAT HIT KEY INDUSTRIES TOO HEAVILY. THE THRUST OF OUR EFFORTS IS TO PRESERVE JOBS.

WE WILL NOT HAVE HEAVY UNEMPLOYMENT OR A RECESSION IF WE CONTINUE TO GET THE COOPERATION OF THE AMERICAN PEOPLE. WE BELIEVE THAT THE SECOND QUARTER OF THIS YEAR WILL SEE THE ECONOMY RECOVERING THE MOMENTUM LOST BECAUSE OF THE ENERGY CRISIS.



THE SLUMP IN HOUSING STARTS MAY
VERY WELL REACH ITS BOTTOM IN THE CURRENT
QUARTER. WE HOPE FOR AN UPTURN IN THE
SPRING.

WE ARE ALREADY SEEING A LOWERING OF THE
PRIME RATE AND OTHER SHORT TERM RATES.
STRENGTH IN THE SHORTTERM MARKET SPREAD
LAST WEEK TO THE LONGTERM MARKET AS WELL.



AS YOU KNOW, THE PRESIDENT HAS REINSTATED THE TANDEM PLAN FOR FHA-INSURED MORTGAGES AT A $7 - 3/4\%$ RATE WITH THE COMMITMENT OF UP TO \$6.6 BILLION. HE HAS AUTHORIZED THE FEDERAL HOME LOAN BANK BOARD TO APPROVE A PROGRAM OF "FORWARD COMMITMENTS" OF UP TO \$3 BILLION. AND HE HAS LOWERED FHA INTEREST RATES FROM $8 \frac{1}{2}\%$ TO $8 \frac{1}{4}\%$.



WE HAVE PROPOSED LEGISLATION WHICH
WOULD:

---AUTHORIZE THE 300,000 UNITS OF
SUBSIDIZED HOUSING IN THE FISCAL YEAR '75
BUDGET;

---AUTHORIZE INCREASES IN THE
PERMISSABLE MORTGAGE AMOUNTS OF FHA LOANS;

---PERMIT HOME BUYERS TO PAY MARKET
INTEREST RATES ON FHA AND VA INSURED MORTGAGES;



---AUTHORIZE ON AN EXPERIMENTAL
BASIS MORE FLEXIBLE REPAYMENT PLANS IN FHA
INSURED MORTGAGES;

--REINSURE PRIVATE MORTGAGE INSURANCE
COMPANIES (PMI'S);

AND

---AUTHORIZE MORE FLEXIBLE INTEREST
RATES, LONGER REPAYMENT TERMS AND HIGHER
LOAN AMOUNTS FOR PURCHASERS OF MOBILE HOMES.



THERE IS NO AREA OF GREATER CONCERN TO THIS ADMINISTRATION THAN THE AREA OF INFLATION. WE ARE GOING THROUGH A PERIOD OF MASSIVE READJUSTMENT FOLLOWING A LONG WAR THAT KEPT OUR ECONOMY OVEREXTENDED AND OVERHEATED. SUPERIMPOSED ON THIS READJUSTMENT IS THE ENERGY CRISIS. WE DO NOT FACE AN EASY TASK. BUT WE WILL SUCCEED BY EMPLOYING THE SPIRIT OF FREE ENTERPRISE, WITH AS MUCH ECONOMIC FLEXIBILITY AS POSSIBLE. WE WILL SUCCEED BY RELYING ON THE SORT OF ECONOMIC



FREEDOM THAT PROMOTES HOUSING PRODUCTION
INSTEAD OF STIFLING CONTROLS THAT PRODUCE
HOUSING SHORTAGES.

I REALIZE THAT YOUR BUSINESS HAS HAD MONEY PROBLEMS. THE LAST HALF OF 1973 WAS A VERY TRYING PERIOD FOR YOU. BUT NOW I UNDERSTAND DISINTERMEDIATION HAS ALL BUT DISAPPEARED. THE SHORTAGE OF FUNDS FOR LENDING HAS BEEN EASING, ALTHOUGH INTEREST RATES ON HOME LOANS ARE STILL CONSIDERABLY ABOVE THOSE OF YEARS AGO. THE FEDERAL HOME



LOAN BANK BOARD CHAIRMAN, TOM BOMAR, HAS PREDICTED THAT INTEREST RATES WILL SOFTEN SOMEWHAT AS THE YEAR GOES ALONG. I HOPE THAT IS THE CASE. EVEN SO, I PERSONALLY BELIEVE THAT TODAY'S MORTGAGES ARE A WISE AND SOUND INVESTMENT. AND I BELIEVE THAT THE SAVINGS AND LOAN BUSINESS CAN LOOK FORWARD TO A PROSPEROUS FUTURE.

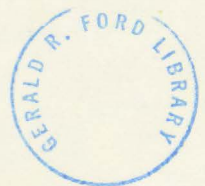


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DURING THE LAST EIGHT YEARS, YOU HAVE LIVED THROUGH THREE MONEY-CRUNCH PERIODS. AT THE SAME TIME, HOWEVER, YOU HAVE EXPERIENCED YOUR GREATEST GROWTH IN TERMS OF SAVINGS AND ASSETS. YOU NOW HAVE MORE FUNDS AVAILABLE FOR MORTGAGE LENDING, AND THIS AVAILABILITY OF MORTGAGE FUNDS SHOULD BE REFLECTED IN A TURNAROUND IN HOUSING STARTS THIS SPRING.



IN THE LONG RUN, IT IS NECESSARY FOR THRIFT INSTITUTIONS TO BE ABLE TO ATTRACT ON A CONTINUING BASIS LONG-TERM FUNDS FOR THE HOUSING MARKET. I KNOW THAT ONE OF THE BUSINESS' KEY PROPOSALS IS LEGISLATION THAT WOULD GIVE DEPOSITORS A TAX BREAK ON INTEREST EARNED. SUCH A PROPOSAL CERTAINLY DESERVES THE CONSIDERATION OF CONGRESS. ANOTHER APPROACH WOULD BE THE MORTGAGE INTEREST TAX CREDIT PROPOSED BY THE PRESIDENT. UNDER



THIS PROPOSAL, THE LARGER THE PROPORTION OF TOTAL ASSETS INVESTED IN RESIDENTIAL MORTGAGES, THE HIGHER THE TAX CREDIT -- UP TO $3\frac{1}{2}\%$ -- WHEN THE MORTGAGE PROPORTION OF THE ASSETS REACHED 70%. SUCH A TAX CREDIT WOULD BE AN INCENTIVE FOR LENDING INSTITUTIONS TO INVEST IN RESIDENTIAL MORTGAGES.



FINALLY, LET ME LEAVE YOU WITH JUST A FEW POSITIVE THOUGHTS ABOUT THE CONDITION OF OUR ECONOMY, FOR THE NATION'S ECONOMIC HEALTH BEARS DIRECTLY ON THE HEALTH OF YOUR INDUSTRY.

THE PROPHETS OF DOOM AND GLOOM WOULD HAVE US BELIEVE THAT 1973 WAS A DISASTROUS YEAR. BUT THAT IS NOT THE CASE. LET'S LOOK AT A FEW OF THE FACTS.

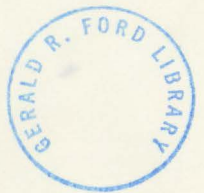


--IN 1973, THERE WAS A STRONG INCREASE
IN TOTAL EMPLOYMENT. THE NUMBER OF
PERSONS AT WORK ROSE BY MORE THAN
2-1/2 MILLION -- AN INCREASE OF
3.2 PERCENT AND THE LARGEST SINCE
1955.



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--IN 1973, AS JOB OPPORTUNITIES
BECAME MORE PLENTIFUL, UNEMPLOYMENT
WAS REDUCED BY MORE THAN A 1/2
MILLION AND THE UNEMPLOYMENT RATE
AVERAGED 4.9 PERCENT.



--IN 1973, THE AFTER-TAX PER CAPITA INCOMES OF AMERICANS, AFTER ALLOWANCE FOR RISING PRICES, ROSE DRAMATICALLY BY 4-1/2 PERCENT IN 1973 -- THE LARGEST ANNUAL INCREASE SINCE 1965.



-- IN 1973, REAL PERSONAL CONSUMPTION PER CAPITA, THAT IS, THE PURCHASE OF GOODS AND SERVICES, ROSE BY 4-1/2 PERCENT.

-- IN 1973, CORPORATE PROFITS POSTED A STRONG RECOVERY.



--IN 1973, THE INTERNATIONAL POSITION OF THE UNITED STATES IMPROVED SIGNIFICANTLY, WITH A \$1.7 BILLION SURPLUS IN MERCHANDISE TRADE DURING 1973 COMPARED WITH THE \$6.3 BILLION DEFICIT DURING 1972. THE INTER-
NATIONAL POSITION ~~POSITION~~ OF THE DOLLAR REBOUNDED SHARPLY SINCE JULY.



THAT WAS 1973. IN 1974 WE EXPECT TO RESOLVE THE IMMEDIATE ENERGY CRISIS AND BEGIN THE EFFORT TO ACHIEVE A GREATER MEASURE OF ENERGY SELF-SUFFICIENCY THROUGH PROGRAMS TO UTILIZE DOMESTIC ENERGY RESOURCES. WE ALSO EXPECT TO ACHIEVE A SIGNIFICANT REDUCTION IN THE RATE OF INFLATION BY THE SECOND HALF OF THE YEAR. WE ANTICIPATE:



--A MODERATE INCREASE IN PRODUCTION FOR THE YEAR AS A WHOLE, WITH THE ENERGY-RELATED DISLOCATIONS THAT WE ARE NOW EXPERIENCING GIVING WAY TO ABOVE-AVERAGE INCREASES IN PRODUCTION DURING THE SECOND HALF.



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-- AN ONLY MODERATE RISE IN
UNEMPLOYMENT.

-- SUBSTANTIAL INCREASES IN INVESTMENT
FOR NEW PLANT AND EQUIPMENT -- A
DEVELOPMENT THAT WILL FURTHER
ENHANCE PRODUCTIVE CAPACITY AND
THE FUTURE GROWTH OF REAL INCOME.

-- A SIGNIFICANT DECLINE IN INTEREST
RATES.

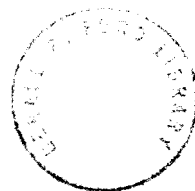


--AND, MOST IMPORTANT TO THIS
AUDIENCE, A RECOVERY IN RESIDENTIAL
CONSTRUCTION.

1974 WILL BE A CHALLENGING YEAR. BUT
I AM CONVINCED THAT WE WILL MEET THE
CHALLENGE. WORKING TOGETHER, WE WILL BUILD
A MORE PROSPEROUS, MORE SELF-SUFFICIENT, AND
A PROUDER AMERICA.



REMARKS BY VICE PRESIDENT GERALD R. FORD
AT THE 1974 LEGISLATIVE CONFERENCE
UNITED STATES LEAGUE OF SAVINGS ASSOCIATIONS
AT THE STATLER-HILTON HOTEL
11:00 a.m. TUESDAY, FEBRUARY 5, 1974



FOR RELEASE AT 11:00 a.m. TUESDAY

I am very pleased to be with you this morning. Your invitation does me honor.

I have long recognized the importance of your leadership in housing finance. As the primary lenders of conventional mortgage funds, the savings and loan institutions perform a vital role in our economy. I vividly recall from my years in Congress the many instances in which the League of Savings Associations offered valuable expertise in refining and broadening housing laws to meet the needs of our country. I am aware of the impact of inflationary pressures on your industry -- and on the millions of Americans who want to obtain mortgages from you so they can buy homes.

You are here on very serious business. Let us address ourselves to the interrelated problems of housing and inflation.

By now you are aware that our new budget seeks to steer a middle course in economic policy. We are trying to move safely between two dangerous minefields. One is the minefield of too much restriction. The other is the minefield of too much support.

We seek to limit unemployment by avoiding a downturn. If the downturn is less, the rate of recovery will be greater. We have flexible plans to fight both recession and inflation.

Let me say frankly that we are mindful of the rapid increase in the price index expected during the first half of this year. Price rises attributable to the energy crunch, mainly the petroleum situation, are working their way through the economy. And there are painful increases in food prices, especially in the area of meat and livestock.

To achieve a viable mortgage market, progress must be made in reducing inflation. Interest rates must be within reach of people

(more)

who want to buy houses. But rates must also cover the loss of purchasing power of the lender. The free enterprise system is not based on rates of loss but on rates of reasonable profit.

There has been much talk of controls. But controls deal with the symptoms rather than the cause. The real weapons against inflation are the old-time virtues -- a sound budget and a sound monetary policy.

Inflation is a longterm problem. It can only be resolved by persistent and consistent remedies. Our present spiral is a monster that began developing a decade ago. We cannot defeat this dragon with reluctant measures. Gimmicks and easy answers and instant solutions will not work. I refer to efforts to legislate wages, prices, and interest rates.

The solution to inflation lies in a hard look at our fiscal and monetary policies over the long term -- and appropriate responses.

Interest rates, as you know very well, can be reduced only by reducing the rate of inflation. Otherwise, you would be faced with de facto expropriation.

The controls of 1973 would only worsen the downturn. We are instead offering a budget to react to the new reality. We can't look at the budget in any context other than the needs of the developing situation. We cannot ignore the dislocations caused by oil or the declines in housing and in the automotive industry.

Your industry must borrow from savers. Your ability to do so hinges upon controlling the rate of inflation. The cost of money is increasing at the very time of heightened competition for limited mortgages. The logical move is to increase the money available to borrowers and lenders.

Mindful of the housing crisis, the Administration is moving to increase Federal deposit insurance from \$20,000 to \$50,000 per account.

The Administration is determined to increase the availability of mortgage credit in the current market. We are determined to improve the overall credit picture for the loan demand and to help meet the housing needs of families with low incomes. Accordingly,

(more)

up to \$6.6 billion in mortgage financing will be made available with Federal assistance.

Provision was made in the budget for 200,000 units of subsidized public housing. But subsequent to the publication of the budget the number of such units was increased to 300,000. The United States Government is making it possible for renters to rent, for lenders to lend, and for builders to build.

We will be able to minimize the unemployment effects of the Arab oil boycott if we are successful in preventing shortages that hit key industries too heavily. The thrust of our efforts is to preserve jobs.

We will not have heavy unemployment or a recession if we continue to get the cooperation of the American people. We believe that the second quarter of this year will see the economy recovering the momentum lost because of the energy crisis.

The slump in housing starts may very well reach its bottom in the current quarter. We hope for an upturn in the Spring.

We are already seeing a lowering of the prime rate and other short term rates. Strength in the shortterm market spread last week to the longterm market as well.

As you know, the President has reinstated the Tandem Plan for FHA-insured mortgages at a 7 3/4% rate with the commitment of up to \$6.6 billion. He has authorized the Federal Home Loan Bank Board to approve a program of "forward commitments" of up to \$3 billion. And he has lowered FHA interest rates from 8 1/2% to 8 1/4%.

We have proposed legislation which would:

- Authorize the 300,000 units of subsidized housing in the Fiscal Year '75 budget
- Authorize increases in the permissible mortgage amounts of FHA loans
- Permit home buyers to pay market interest rates on FHA and VA insured mortgages
- Authorize on an experimental basis more flexible repayment plans in FHA insured mortgages
- Reinsure private mortgage insurance companies (PMI's) and
- Authorize more flexible interest rates, longer repayment terms and higher loan amounts for purchasers of mobile homes.

(more)

There is no area of greater concern to this Administration than the area of inflation. We are going through a period of massive readjustment following a long war that kept our economy overextended and overheated. Superimposed on this readjustment is the energy crisis. We do not face an easy task. But we will succeed by employing the spirit of free enterprise, with as much economic flexibility as possible. We will succeed by relying on the sort of economic freedom that promotes housing production instead of stifling controls that produce housing shortages.

I realize that your business has had money problems. The last half of 1973 was a very trying period for you. But now I understand disintermediation has all but disappeared. The shortage of funds for lending has been easing, although interest rates on some loans are still considerably above those of years ago. The Federal Home Loan Bank Board Chairman, Tom Bomar, has predicted that interest rates will soften somewhat as the year goes along. I hope that is the case. Even so, I personally believe that today's mortgages are a wise and sound investment. And I believe that the savings and loan business can look forward to a prosperous future.

During the last 8 years, you have lived through three money-crunch periods. At the same time, however, you have experienced your greatest growth in terms of savings and assets. You now have more funds available for mortgage lending, and this availability of mortgage funds should be reflected in a turnaround in housing starts this spring.

In the long run, it is necessary for thrift institutions to be able to attract on a continuing basis long-term funds for the housing market. I know that one of the business' key proposals is legislation that would give depositors a tax break on interest earned. Such a proposal certainly deserves the consideration of Congress. Another approach would be the mortgage interest tax credit proposed by the President. Under this proposal, the larger the proportion of total assets invested in residential mortgages, the higher the tax credit -- up to 3 1/2% -- when the mortgage proportion of the assets reached 70%. Such a tax credit would be an

(more)

incentive for lending institutions to invest in residential mortgages.

Finally, let me leave you with just a few positive thoughts about the condition of our economy, for the Nation's economic health bears directly on the health of your industry.

The prophets of doom and gloom would have us believe that 1973 was a disastrous year. But that is not the case. Let's look at a few of the facts.

- In 1973, there was a strong increase in total employment. The number of persons at work rose by more than 2 1/2 million -- an increase of 3.2 percent and the largest since 1955.
- In 1973, as job opportunities became more plentiful, unemployment was reduced by more than a 1/2 million and the unemployment rate averaged 4.9 percent.
- In 1973, the after tax per capita incomes of Americans, after allowance for rising prices, rose dramatically by 4 1/2 percent in 1973 -- the largest annual increase since 1965.
- In 1973, real personal consumption per capita, that is, the purchase of goods and services, rose by 4 1/2 percent.
- In 1973, corporate profits posted a strong recovery.
- In 1973, the international position of the United States improved significantly, with a \$1.7 billion surplus in merchandise trade during 1973 compared with the \$6.3 billion deficit during 1972. The international position of the dollar rebounded sharply since July.

That was 1973. In 1974 we expect to resolve the immediate energy crisis and begin the effort to achieve a greater measure of energy self-sufficiency through programs to utilize domestic energy resources. We also expect to achieve a significant reduction in the rate of inflation by the second half of the year. We anticipate:

- A moderate increase in production for the year as a whole, with the energy-related dislocations that we are now experiencing giving way to above-average increases in production during the second half.
- An only moderate rise in unemployment.
- Substantial increases in investment for new plant and equipment -- a development that will further enhance productive capacity and the future growth of real income.
- A significant decline in interest rates.
- And, most important to this audience, a recovery in residential construction.

(more)

1974 will be a challenging year. But I am convinced that we will meet the challenge. Working together, we will build a more prosperous, more self-sufficient, and a prouder America.

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AS THE PRIMARY LENDERS OF CONVENTIONAL MORTGAGE FUNDS , THE SAVINGS AND LOAN ~~BUSINESS~~ PERFORM A VITAL ROLE IN OUR ECONOMY. I VIVIDLY RECALL FROM MY YEARS IN CONGRESS THE MANY INSTANCES IN WHICH THE LEAGUE OF SAVINGS ASSOCIATIONS OFFERED VALUABLE EXPERTISE IN REFINING AND BROADENING HOUSING LAWS TO MEET THE NEEDS OF OUR COUNTRY. I AM AWARE OF THE IMPACT OF INFLATIONARY PRESSURES ON YOUR INDUSTRY — AND ON THE MILLIONS OF AMERICANS WHO WANT TO OBTAIN MORTGAGES FROM YOU SO ~~THEY~~ THEY CAN BUY HOMES .

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INFLATION IS A LONGTERM PROBLEM. OUR PRESENT SPIRAL IS A MONSTER THAT BEGAN ^{AN} ~~DEVELOPING~~ DEVELOPING A DECADE AGO. WE CANNOT DEFEAT THIS DRAGON WITH RELUCTANT MEASURES. GIMMICKS AND EASY ANSWERS AND INSTANT SOLUTIONS WILL NOT WORK. I REFER TO EFFORTS TO ^{LEGISLATE} ~~CONTROL~~ WAGES, PRICES, AND INTEREST RATES.

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YOUR INDUSTRY MUST BORROW FROM SAVERS. YOUR ABILITY
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~~THE LOAN DEMAND AND TO HELP MEET THE HOUSING NEEDS OF FAMILIES WITH LOW INCOMES.~~
X
ACCORDINGLY, UP TO \$ 6.6 BILLION IN MORTGAGE FINANCING WILL BE MADE
AVAILABLE WITH FEDERAL ASSISTANCE.

PROVISION WAS MADE IN THE BUDGET FOR 200,000 UNITS OF
SUBSIDIZED PUBLIC HOUSING. BUT SUBSEQUENT TO THE PUBLICATION
OF THE BUDGET THE NUMBER OF SUCH UNITS WAS INCREASED TO
300,000. THE UNITED STATES GOVERNMENT IS ~~SUBSIDIZING~~ ~~REQUIRING~~ ~~DISCOUNTING~~ *making* IT POSSIBLE ~~FOR~~ *FOR*
FOR RENTERS TO RENT, ~~FOR~~ *FOR* LENDERS TO LEND, AND FOR BUILDERS TO ~~BUILD~~ *BUILD*.

WE WILL BE ABLE TO MINIMIZE THE UNEMPLOYMENT EFFECTS OF
THE ARAB OIL BOYCOTT IF WE ARE SUCCESSFUL IN PREVENTING SHORTAGES
~~THAT HIT~~ *TOO HEAVILY.* ~~KEY INDUSTRIES THAT HAVE BEEN DEPRIVED~~
~~IMPACT.~~ THE THRUST OF OUR EFFORTS IS TO PRESERVE JOBS.

~~WE WILL NOT HAVE~~ *WE WILL NOT HAVE* ~~WE DO NOT FORESEE~~ HEAVY UNEMPLOYMENT OR A RECESSION IF
WE CONTINUE TO GET THE COOPERATION OF THE AMERICAN PEOPLE. WE
BELIEVE THAT THE SECOND QUARTER OF THIS YEAR WILL SEE THE ECONOMY
~~RECOVERING~~ *THE* MOMENTUM LOST BECAUSE OF THE ENERGY CRISIS.

THE SLUMP IN HOUSING STARTS MAY VERY WELL REACH ITS BOTTOM
IN THE CURRENT QUARTER. WE HOPE FOR AN UPTURN IN THE SPRING.

WE ARE ALREADY SEEING A LOWERING OF THE PRIME RATE AND
OTHER SHORT TERM RATES. ~~STRENGTH~~ IN THE SHORT TERM MARKET SPREAD
LAST WEEK TO THE LONGTERM MARKET AS WELL.

AS YOU KNOW, THE PRESIDENT HAS REINSTATED THE TANDEM PLAN FOR
FHA-INSURED MORTGAGES AT ^A7 - 3/4% RATE WITH THE COMMITMENT OF UP TO
\$6.6 BILLION. HE HAS AUTHORIZED THE FEDERAL HOME LOAN BANK BOARD
TO APPROVE A PROGRAM OF "FORWARD COMMITMENTS" OF UP TO \$3 ~~B~~ BILLION.
AND HE HAS LOWERED FHA INTEREST ~~R~~ RATES FROM 8 1/2 % TO 8 1/4 %.



WE HAVE PROPOSED ~~LEGISLATION~~ LEGISLATION WHICH WOULD :

- AUTHORIZE THE 300,000^{real} UNITS OF SUBSIDIZED HOUSING IN THE FY 75 BUDGET
- AUTHORIZE INCREASES IN THE PERMISSIBLE MORTGAGE AMOUNTS OF FHA LOANS
- PERMIT HOME[#]BUYERS TO PAY MARKET INTEREST RATES ON FHA AND VA INSURED

MORTGAGES

--- AUTHORIZE ON AN EXPERIMENTAL BASIS MORE ~~FIX~~^{flexible} REPAYMENT PLANS
IN FHA INSURED MORTGAGES

--- REINSURE PRIVATE MORTGAGE INSURANCE COMPANIES (PMI's)

AND

--- AUTHORIZE MORE FLEXIBLE INTEREST RATES, LONGER REPAYMENT TERMS
AND HIGHER LOAN AMOUNTS FOR PURCHASERS OF MOBILE HOMES .



THERE IS NO AREA OF GREATER CONCERN TO THIS ADMINISTRATION THAN THE
AREA OF INFLATION. WE ARE GOING THROUGH A PERIOD OF MASSIVE READJUSTMENT
FOLLOWING A LONG WAR THAT KEPT OUR ECONOMY OVEREXTENDED AND OVERHEATED .
SUPERIMPOSED ON THIS READJUSTMENT IS THE ENERGY CRISIS . WE DO NOT FACE AN EASY
TASK . BUT WE WILL SUCCEED ^{By employing the} ~~through~~ SPIRIT OF FREE ENTERPRISE, WITH AS MUCH
ECONOMIC FLEXIBILITY AS POSSIBLE. WE WILL SUCCEED BY RELYING ON THE SORT OF
ECONOMIC FREEDOM THAT PROMOTES HOUSING PRODUCTION INSTEAD OF ^{STIFLING} CONTROLS
THAT PRODUCE HOUSING SHORTAGES .



I realize that your business has had money problems. The last half of 1973 was a very trying period for you. But now I understand ~~disinter~~^{inter}mediation has all but disappeared. The shortage of funds for lending has been easing, although interest rates on home loans are still considerably above those of years ago. ~~The~~ Federal Home Loan Bank Board Chairman, Tom Bomar, has predicted that interest rates will soften somewhat as the year goes along. I hope that is the case. Even so, I personally believe that today's mortgages are a wise and sound investment. And I believe that the savings and loan business can look forward to a prosperous future.

During the last 8 years, you have lived through three money-crunch periods. At the same time, however, you have experienced your greatest growth in terms of savings and assets. You now have more funds available for mortgage lending, and this availability of mortgage funds should be reflected in a turnaround in housing starts this spring.

In the long run, it is necessary for thrift institutions to be able to attract on a continuing basis long-term funds for the housing market. I know that one of the business' key proposals is legislation that would give depositors a tax break on interest earned. Such a proposal certainly deserves the consideration of Congress. Another approach would be the mortgage interest tax credit proposed by the President. Under this proposal, the larger the proportion of total assets invested in residential mortgages, the higher



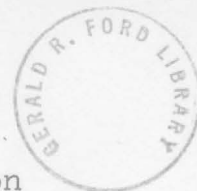
the tax credit -- up to 3-1/2 % -- when the mortgage proportion of the assets reached 70%. Such a tax credit would be an incentive for lending institutions to invest in residential mortgages.

Finally, let me leave you with just a few positive thoughts about the condition of our economy, for the Nation's economic health bears directly on the health of your industry.

The prophets of doom and gloom would have us believe that 1973 was a disastrous year. But that is not the case. Let's look at a few of the facts.

- In 1973, there was a strong increase in total employment. The number of persons at work rose by more than 2-1/2 million -- an increase of 3.2 percent and the largest since 1955.
- In 1973, as job opportunities became more plentiful, unemployment was reduced by more than 1/2 million and the unemployment rate averaged 4.9 percent.
- In 1973, the after tax per capita incomes of Americans, after allowance for rising prices, rose dramatically by 4-1/2 percent in 1973 -- the largest annual increase since 1965.
- ^{on} 1973, real personal consumption per capita, that is, the purchase of goods and services, rose by 4-1/2 percent.
- In 1973, corporate profits posted a strong recovery.
- In 1973, the international position of the United States improved significantly, with a \$1.7 billion surplus in merchandise trade during 1973 compared with the \$6.3 billion deficit during 1972. The international position of the dollar rebounded sharply since July.

That was 1973. In 1974 we expect to resolve the immediate energy crisis and begin the effort to achieve a greater measure of energy self-sufficiency through programs to utilize domestic energy resources. We also expect to



achieve a significant reduction in the rate of inflation by the second half of the year. We anticipate:

- A moderate increase in production for the year as a whole, with the energy-related dislocations that we are now experiencing giving way to above-average increases in production during the second half.
- An only moderate rise in unemployment.
- Substantial increases in investment for new plant and equipment -- a development that will further enhance productive capacity and the future growth of real income.
- A significant decline in interest rates.
- And, most important to this audience, a recovery in residential construction.

1974 will be a challenging year. But I am convinced that we will meet the challenge. Working together, we will build a more prosperous, more self-sufficient, and a prouder America.

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REMARKS BY VICE PRESIDENT GERALD R. FORD
AT THE 1974 LEGISLATIVE CONFERENCE
UNITED STATES LEAGUE OF SAVINGS ASSOCIATIONS
AT THE STATLER-HILTON HOTEL
11 A.M., TUESDAY, FEB. 5, 1974



FOR RELEASE ~~AT 11 A.M.~~ TUESDAY ~~PM~~

I AM VERY PLEASED TO BE WITH YOU THIS MORNING. YOUR INVITATION DOES ME HONOR. ~~I~~ I HAVE LONG RECOGNIZED THE IMPORTANCE OF YOUR LEADERSHIP IN HOUSING FINANCE.

AS THE PRIMARY LENDERS OF CONVENTIONAL MORTGAGE FUNDS ^{*institutions*}, THE SAVINGS AND LOAN ~~BUSINESS~~ PERFORM A VITAL ROLE IN OUR ECONOMY. I VIVIDLY RECALL FROM MY YEARS IN CONGRESS THE MANY INSTANCES IN WHICH THE LEAGUE OF SAVINGS ASSOCIATIONS OFFERED VALUABLE EXPERTISE IN REFINING AND BROADENING HOUSING LAWS TO MEET THE NEEDS OF OUR COUNTRY. I AM AWARE OF THE IMPACT OF INFLATIONARY PRESSURES ON YOUR INDUSTRY -- AND ON THE MILLIONS OF AMERICANS WHO WANT TO OBTAIN MORTGAGES FROM YOU SO ~~THEY~~ THEY CAN BUY HOMES.

YOU ARE HERE ON VERY SERIOUS BUSINESS. LET US ADDRESS OURSELVES TO THE INTERRELATED PROBLEMS OF HOUSING AND INFLATION.

BY NOW YOU ARE AWARE THAT OUR NEW BUDGET SEEKS TO STEER A MIDDLE COURSE IN ECONOMIC POLICY. WE ARE TRYING TO MOVE SAFELY BETWEEN TWO DANGEROUS MINEFIELDS. ONE IS THE MINEFIELD OF TOO MUCH RESTRICTION. THE OTHER IS THE MINEFIELD OF TOO MUCH SUPPORT.

WE SEEK TO ^{*LIMIT UNEMPLOYMENT*} ~~AVOID~~ BY AVOIDING A DOWNTURN. IF THE DOWNTURN IS LESS, THE RATE OF RECOVERY WILL BE GREATER. WE HAVE FLEXIBLE PLANS TO FIGHT BOTH RECESSION AND INFLATION.



LET ME SAY FRANKLY THAT WE ARE MINDFUL OF THE RAPID INCREASE IN THE PRICE INDEX EXPECTED DURING THE FIRST HALF OF THIS YEAR. PRICE RISES ATTRIBUTABLE TO THE ENERGY CRUNCH, MAINLY THE ~~PETROLEUM~~ ^{AND} SITUATION, ARE WORKING THEIR WAY THROUGH THE ECONOMY. [^] THERE ARE PAINFUL INCREASES IN FOOD PRICES, ESPECIALLY IN THE AREA OF MEAT AND LIVESTOCK.

~~HOUSING STARTS ARE DOWN~~ TO ACHIEVE A VIABLE MORTGAGE MARKET, PROGRESS MUST BE MADE IN REDUCING INFLATION. INTEREST RATES MUST BE WITHIN REACH OF PEOPLE WHO WANT TO BUY HOUSES. BUT ~~RATES~~ ^{RATES} MUST ALSO COVER THE LOSS OF PURCHASING POWER OF THE LENDER. THE FREE ENTERPRISE SYSTEM IS NOT BASED ON RATES OF LOSS BUT ON RATES OF REASONABLE PROFIT.

THERE HAS BEEN MUCH TALK OF CONTROLS. BUT CONTROLS DEAL WITH THE SYMPTOMS RATHER THAN THE CAUSE. THE REAL WEAPONS AGAINST INFLATION ARE THE OLD-TIME VIRTUES --- A SOUND BUDGET AND A SOUND MONETARY POLICY, REMEDIES. IT CAN ONLY BE RESOLVED BY PERSISTENT AND CONSISTENT

INFLATION IS A LONGTERM PROBLEM. OUR PRESENT SPIRAL IS A MONSTER THAT BEGINS ^{AN} ~~DEVELOPING~~ DEVELOPING A DECADE AGO. WE CANNOT DEFEAT THIS DRAGON WITH RELUCTANT MEASURES. GIMMICKS AND EASY ANSWERS AND INSTANT SOLUTIONS WILL NOT WORK. I REFER TO EFFORTS TO ^{LEGISLATE} ~~CONTROL~~ WAGES, PRICES, AND INTEREST RATES.

THE SOLUTION TO INFLATION LIES IN A HARD LOOK AT OUR FISCAL AND MONETARY POLICES OVER THE LONG TERM — AND APPROPRIATE RESPONSES.

INTEREST RATES, AS YOU KNOW VERY WELL, CAN BE REDUCED ONLY BY REDUCING THE RATE OF INFLATION. OTHERWISE, YOU WOULD BE FACED WITH DE FACTO EXPROPRIATION.



THE CONTROLS OF 1973 WOULD ONLY WORSEN THE DOWNTURN. WE ARE
INSTEAD OFFERING A BUDGET TO REACT TO THE NEW REALITY. WE CAN'T LOOK
AT THE BUDGET IN ANY CONTEXT OTHER THAN THE NEEDS OF THE DEVELOPING
SITUATION. WE CANNOT IGNORE THE DISLOCATIONS CAUSED BY OIL ^{and} ~~the~~
THE DECLINES IN HOUSING ¹ IN THE AUTOMOTIVE INDUSTRY ~~AND CO. FORDING~~
~~OUR STRATEGY IS ONE OF SUPPORT FOR THE RECOVERY OF THE~~
~~YEAR 1973, AND TO RECOVER IN THE SECOND HALF~~
~~OF THE YEAR WITH OUR OWN PROGRESS~~

YOUR INDUSTRY MUST BORROW FROM SAVERS. YOUR ABILITY
TO DO SO HINGES UPON CONTROLLING THE RATE OF INFLATION. THE COST OF
MONEY IS INCREASING AT THE VERY TIME OF HEIGHTENED COMPETITION FOR LIMITED
MORTGAGES. THE LOGICAL MOVE IS TO INCREASE THE MONEY AVAILABLE TO
BORROWERS AND LENDERS.

MINDFUL OF THE HOUSING CRISIS, THE ADMINISTRATION IS
MOVING TO INCREASE FEDERAL DEPOSIT INSURANCE FROM \$20,000 TO \$50,000 PER
ACCOUNT.

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I realize that your business has had money problems. The last half of 1973 was a very trying period for you. But now I understand disintermediation has all but disappeared. The shortage of funds for lending has been easing, although interest rates on home loans are still considerably above those of years ago. ^{The} Federal Home Loan Bank Board Chairman, Tom Bomar, has predicted that interest rates will soften somewhat as the year goes along. I hope that is the case. Even so, I personally believe that today's mortgages are a wise and sound investment. And I believe that the savings and loan business can look forward to a prosperous future.

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Speech Material

1974 LEGISLATIVE CONFERENCE

United States League of Savings Associations

Remarks by:

Vice President Gerald R. Ford

Statler Hotel, Washington, D.C.

Tuesday, February 5,

File



IT IS A GREAT PLEASURE TO BE WITH YOU THIS MORNING. I FEEL HONORED TO ADDRESS THE LEADERS OF THE SAVINGS AND LOAN BUSINESS: A BUSINESS WHICH IS PRINCIPALLY CONCERNED WITH THE HOUSING NEEDS OF THIS COUNTRY. THROUGHOUT MY YEARS IN CONGRESS, THERE WAS ONE RECURRING THEME YEAR AFTER YEAR - THE NEED FOR DECENT HOUSING FOR EVERY AMERICAN FAMILY. I AM PROUD TO SAY THAT CONGRESS RECOGNIZES YOUR EFFORTS AS THE PRIMARY LENDERS OF CONVENTIONAL MORTGAGE FUNDS. THE ADMINISTRATION IS PROUD OF THE SAVINGS AND LOAN BUSINESS FOR THEIR CONTINUED EFFORTS AS SPECIALISTS IN HOUSING FINANCE. THE HISTORY OF YOUR BUSINESS SPEAKS FOR ITSELF. I CAN RECALL MANY TIMES WHEN THE U. S. LEAGUE OFFERED THEIR EXPERTISE IN REFINING AND BROADENING HOUSING LAWS TO BETTER MEET THE NEEDS OF THIS COUNTRY.

HOWEVER, IN TODAY'S MARKET PLACE, YOUR INDUSTRY AND THE HOUSING SECTOR IN GENERAL, ARE FACED WITH MANY COMPLEX PROBLEMS.

THE PROFITS OF DOOM AND GLOOM ARE PREDICTING HOUSING STARTS WILL PLUMMET TO THE 1.3 OR 1.4 MILLION LEVEL. THIS IS A DRASTIC DOWNWARD ADJUSTMENT FROM THE 1973 HOUSING START FIGURE OF 2 MILLION, 42 THOUSAND.

ANOTHER AND RELATED PROBLEM FACING THE SAVINGS AND LOAN BUSINESS IS INFLATION. LENDERS FEEL THEY NEED HIGHER INTEREST RATES TO COMPENSATE FOR EXPECTED DIMINISHED PURCHASING POWER OF THE DOLLAR WHEN THE PRINCIPAL COMES BACK YEARS LATER. YET INFLATION AFFECTS NOT ONLY INTEREST RATES, BUT EVERYTHING ELSE - LAND, MATERIALS AND LABOR. IN ADDITION, INFLATION DRAINS THE DEMAND FOR BETTER HOUSING WHEN THE POTENTIAL HOMEBUYER HAS TO SPEND HIS PAYCHECK FOR FOOD, GASOLINE AND PRACTICALLY EVERYTHING ELSE. THE ADMINISTRATION IS CONCERNED, VERY CONCERNED, ABOUT INFLATIONARY PRESSURES. SOME SAGE ECONOMISTS START TO ADVOCATE

A STRAIGHTJACKET APPROACH TO MANAGING THE ECONOMY WHEN THE INFLATIONARY CYCLE SETS IN. I CAN ASSURE YOU THIS ADMINISTRATION BELIEVES THAT THE BEST COURSE IN THIS YEAR OF ADJUSTMENT IS TO MAINTAIN AS MUCH FLEXIBILITY AS POSSIBLE. WE ARE GOING TO RELY MAINLY ON THE ECONOMIC FREEDOM THAT PROMOTES HOUSING PRODUCTION INSTEAD OF CONTROLS THAT PRODUCE HOUSING SHORTAGES.

IN LAST WEEK'S STATE OF THE UNION ADDRESS, PRESIDENT NIXON STATED THAT THIS ADMINISTRATION WILL NOT WAIVER FROM THE FEDERAL COMMITMENT FIRST OUTLINED IN THE HOUSING ACT OF '49: "A DECENT HOME AND A SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY." THE STATE OF AMERICA'S HOUSING WILL CONTINUE TO DEPEND ON THE STATE OF AMERICA'S ECONOMY MORE THAN ON ANY OTHER FACTOR. THE FORCES OF THE MARKETPLACE ARE THE FORCES THAT COUNT THE MOST -- FAMILIES WITH SUFFICIENT REAL INCOME AND SUFFICIENT CONFIDENCE TO CREATE AN EFFECTIVE DEMAND FOR BETTER HOUSING ON THE ONE HAND, AND BUILDERS AND LENDING INSTITUTIONS ABLE TO RESPOND

TO THE DEMAND ON THE OTHER. PRESIDENT NIXON IS MORE DETERMINED THAN EVER TO INCREASE THE AVAILABILITY OF MORTGAGE CREDIT IN THE CURRENT MARKET, TO IMPROVE THE OVERALL CREDIT PICTURE FOR THE LOAN DEMAND AND TO HELP MEET THE HOUSING NEEDS OF FAMILIES WITH LOW INCOMES.

HUD SECRETARY JAMES LYNN RECENTLY ANNOUNCED A TWO-PRONGED ACTION TO EASE THE HOME BUILDING SLUMP. FHA AND VA RATES HAVE BEEN LOWERED FROM 8-1/2% TO 8-1/4%. ALSO, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION HAS BEEN AUTHORIZED TO COMMIT UP TO \$6.6BILLION TO PURCHASE GOVERNMENT-BACKED MORTGAGES ON 200,000 UNSUBSIDIZED NEW HOUSES AND APARTMENTS AT AN ANNUAL INTEREST RATE OF 7-3/4%. THIS IS WELL BELOW CURRENT RATES ON BOTH CONVENTIONAL HOME LOANS AND THOSE BACKED BY THE FEDERAL HOUSING ADMINISTRATION. WITH THESE TWO ACTIONS, THE ADMINISTRATION FEELS CONFIDENT THAT A PROMPT AND FAVORABLE IMPACT ON THE HOUSING MARKET WILL RESULT.

STILL ANOTHER PROBLEM AREA FACING YOUR BUSINESS HAS BEEN MONEY. THE LAST HALF OF 1973 WAS A VERY TRYING PERIOD FOR YOUR BUSINESS, BUT NOW I UNDERSTAND DISINTERMEDIATION HAS ALL BUT DISAPPEARED. THE SHORTAGE OF FUNDS FOR LENDING HAS BEEN EASING, BUT INTEREST RATES ON HOME LOANS ARE STILL CONSIDERABLY ABOVE THOSE OF YEARS AGO. FEDERAL HOME LOAN BANK BOARD CHAIRMAN, TOM BOMAR, HAS PREDICTED THAT INTEREST RATES WILL SOFTEN SOMEWHAT AS THE YEAR GOES ALONG. I HOPE THAT IS THE CASE. EVEN SO, I PERSONALLY BELIEVE THAT TODAY'S MORTGAGES ARE A WISE AND SOUND INVESTMENT.

NOW, LET'S TAKE A BRIEF LOOK AT THE FUTURE OF YOUR BUSINESS. DURING THE LAST 8 YEARS, YOU HAVE EXPERIENCED THREE MONEY CRUNCH PERIODS. DURING THE SAME PERIOD, HOWEVER, YOU HAVE EXPERIENCED YOUR GREATEST GROWTH IN TERMS OF SAVINGS AND ASSETS. A DICHOTOMY, PERHAPS! A VOLUTILE BUSINESS, ABSOLUTELY!

IN FACT, YOUR BUSINESS REMINDS ME OF MY PRESENT POSITION. AFTER I GRADUATED FROM MICHIGAN, I HAD PROFESSIONAL FOOTBALL OFFERS TO PLAY WITH THE DETROIT LIONS AND THE GREEN BAY PACKERS. I DIDN'T AND LO AND BEHOLD I BECAME VICE PRESIDENT. HOWEVER, MY CLOSE FRIEND, WHIZZER WHITE PLAYED PROFESSIONAL FOOTBALL AND NOW HAS A LIFETIME JOB AS JUSTICE ON THE SUPREME COURT. THE MORAL OF THE STORY -- PROFESSIONAL FOOTBALL PLAYERS WHO BECOME SUPREME COURT JUSTICES KNOW WHERE THEY WILL BE NEXT YEAR, WHILE COLLEGE FOOTBALL PLAYERS WHO BECOME VICE PRESIDENTS ARE NOT ALL THAT SURE!

BACK TO THE FUTURE OF THE SAVINGS AND LOAN BUSINESS. IT IS NECESSARY FOR THRIFT INSTITUTIONS TO BE ABLE TO ATTRACT ON A CONTINUING BASIS LONG-TERM FUNDS FOR THE HOUSING MARKET. I KNOW THAT ONE OF THE BUSINESS' KEY PROPOSALS IS LEGISLATION THAT WOULD GIVE DEPOSITORS A TAX BREAK ON INTEREST EARNED. SUCH A PROPOSAL CERTAINLY DESERVES THE CONSIDERATION OF CONGRESS. ANOTHER TACT WOULD BE THE MORTGAGE INTEREST

TAX CREDIT PROPOSED BY THE PRESIDENT. UNDER THIS PROPOSAL, THE LARGER THE PROPORTION OF TOTAL ASSETS INVESTED IN RESIDENTIAL MORTGAGES, THE HIGHER THE TAX CREDIT UP TO 3-1/2% WHEN THE MORTGAGE PROPORTION OF THE ASSETS REACHES 70%. SUCH A TAX CREDIT WOULD BE AN INCENTIVE FOR LENDING INSTITUTIONS TO INVEST IN RESIDENTIAL MORTGAGES.

BEFORE I GO, I WANT TO LEAVE WITH YOU ONE THOUGHT. YOU ARE THE LEADERS OF THE SAVINGS AND LOAN BUSINESS AND IT IS UP TO YOU TO DIRECT YOUR GREAT INDUSTRY TO PROVIDE HOUSING FOR ALL TYPES OF PEOPLE: IN ALL ECONOMIC CLASSES. THE ADMINISTRATION WANTS TO WORK CLOSELY WITH THE SAVINGS AND LOAN BUSINESS. WE ALL KNOW WHAT IS AT STAKE -- THE AMERICAN HOME - THE SAFEGUARD OF AMERICAN LIBERTIES.

THANK YOU.