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OFFICE OF THE PRESIDENT

WASHINGTON, D.C.

11/6/74

From the President:

To:

Ken Cole

Date:

Time

a.m.

p.m.

This was given to
me in Los Angeles.

Does it make sense?
Feasible?

HOUSING NOW!

**A program for housing through investment of
Federal funds in saving and loan associations.**

HOUSING NOW!

The following summarizes a program for the relief of housing that utilizes a historically proven system for channeling government funds into the residential mortgage channel quickly and with minimum inflationary impact. Providing for temporary investment of government funds into the savings accounts of savings and loan associations, the outstanding advantages of this approach over conventional subsidy programs are:

1. It has a proven record of success. Utilized during the years of the Great Depression as the result of the Home Owners' Loan Act of 1933, it successfully channeled money directly into housing. All government funds invested in savings and loan accounts were repaid long before the end of the ten year period over which the repayments were scheduled to extend.
2. It is not a housing subsidy program. One hundred percent of the invested principal would be returned to the government. Additionally, the government would receive the maximum legal rate of interest on its investment.
3. It is simple. It charts the shortest and most direct course between mortgage funds and home borrowers.
4. It is economical. Minimum administrative overhead would be required. Accounting would be limited to making deposits and receiving interest payments.
5. It is flexible. Mortgage rates can be adjusted according to the rate of interest paid on deposits. The new flow of funds would provide a further deflationary effect on mortgage rates.
6. It can be immediately activated. Funds deposited in savings and loan associations today can be loaned for home purchases tomorrow.
7. It would require a minimum of regulation. Funds would be directed into home financing under current laws, and supervisory systems already exist at both State and Federal levels.
8. It would be administered by home financing specialists. Savings and loan associations, with established expertise, would become "supervised agents" for channeling funds into housing.
9. It would be a nationally diversified program. Over four thousand savings and loan associations, with many thousands of offices, would provide complete geographic penetration at the grass roots level.

10. It would keep trusteeship at the local level. The institutions that make the home loans would retain the complete responsibility for them, instead of unloading them on the government. The government will not have to foreclose on its citizens and board up housing.
11. It is a free enterprise program. Savings and loan associations will voluntarily enlist in the effort. Instead of placing government in further competition with mortgage lenders, it will fully utilize this national resource while retaining complete control and protection.
12. It will have broad benefits. The housing funds will help the senior citizen who needs to sell his home to meet changing conditions in life, the young family who needs a home to grow in. It will help the builder and the realtor who find themselves struggling in a recessed industry. It will help labor by providing many more jobs, not just in housing but in the many ancillary industries that benefit from new construction and changes in home ownership.
13. It would encourage thrift. By providing example, the government would stimulate individuals to save money at thrift institutions.

This is an extraordinarily simple program that would provide immediate housing relief. It is highly efficient, requiring a minimum of beauracracy and government involvement. Its basic premise is that it is far more economical and pragmatic for the originator of a mortgage loan to retain it than to sell it to the government for possible repurchase in the future. Why place an additional burden on the Federal government when a free enterprise system already has an "idiling" mechanism ready to be engaged?

This program is not a plea for help for the savings and loan industry. It is not needed. Rather, it is recognition that an established institution exists that can best meet the real need -- that of the vanishing American homeowner.

THE WHITE HOUSE
WASHINGTON

November 6, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: KENNETH R. COLE, JR.

FROM: JERRY H. JONES 

The attached was returned in the President's outbox with the following notation to you:

-- This was given to me in Los Angeles.
Does it make sense? Feasible?

Please follow-up with the appropriate action and submit your response to the Office of the Staff Secretary.

Thank you.

cc: Don Rumsfeld