The original documents are located in Box D29, folder "Home Builders, Grand Rapids, MI, May 28, 1970" of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

NOTES FOR HOME BUILDERS SPEECH

Grand Rapids
May 28, 1970
G R Home Builders

I. The problem in the home building industry is largely a lack of mortgage money.

II. The underlying cause of this lack of mortgage money is inflation, which has caused a run on lendable funds and has caused interest rates to hit record highs.

III. Until inflation can be brought under control and the money supply can be expanded at reasonable interest rates, the government must take massive action to assist housing. That action must be taken now--and is in the works.

2/ Home Bldr Notes

IV. The inflation we now are experiencing is due to inappropriate economic policies on the part of the previous Administration--policies which were geared to spending far more revenue than we had.

V. Severe monetary restraints have been used in an attempt to bring the inflationary spiral under control. Regrettably, housing has received the short end of the deal.

VI. Housing starts have dropped almost steadily from a temporary annual rate of more than 1.7 million units in the first quarter of 1969 to about 1.25 million in the first quarter of 1970. No other economic sector has experienced such a squeeze.

VII. What are the Nixon Administration and the Congress doing about it?

A. The Administration has solicited and received a pledge from commercial banks, life insurance companies and pension fund trustees of a $2 billion increase in their commitments for residential mortgages this year. This program is as follows:

1. Commercial banks have pledged a $1 billion increase in their direct residential mortgage investments this year over last year's total of $3 billion.

2. Life insurance companies have promised to raise their

commitments in residential mortgages by $550 million this year above the $2 billion figure originally planned for 1970. The insurance companies will primarily be involved in the financing of multi-family housing, as they have been in recent years.

3. Corporate and financial institution trustees for private pension funds have indicated a willingness to invest $500 million in residential mortgages this year, primarily through a new mortgage-backed bond being developed by the Housing and Urban Development Department and the U.S. Treasury.

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The new bonds will be guaranteed by the Government National Mortgage Association.

B. The Senate has passed and I expect the House will approve in the near future an Emergency Home Finance Act which will provide more mortgage money at lower cost. The House Banking and Currency Committee reported it out [redacted] Tuesday. This is Administration-backed legislation. It will fortify the mortgage market and enable more people to become home owners.

1. It authorizes a new subsidy program allowing eligible middle-income families to buy homes with mortgage loans at interest [redacted] rates as low as 7 per cent. This [redacted] involves

[redacted] an expenditure of $60 million a year for three years in Federal funds. It would allow construction of about 150,000 subsidized homes each year for a [redacted] total of 450,000 units.

2. The bill also increases mortgage money by:

a. Authorizing FNMA to purchase conventional mortgages [redacted] as well as FHA and VA paper;

b. Authorizing a $250 million subsidy that Federal Home Loan Banks [redacted] can use to stimulate mortgage lending by savings and loan institutions.

c. Giving GNMA more flexibility in its use of

$1.5 billion in special assistance funds that support the mortgage market.

VIII. The Emergency Home Finance Act will offer a much-needed stimulus to the home construction industry and will open doors for many families who want to buy homes but are priced out of the market at this time.

IX. This emergency housing legislation must be passed promptly. Appropriations must also be requested to carry out the program. Action to assist in obtaining housing is needed now.

X. If projections are correct, this emergency legislation should

stimulate $5 to $6 billion of mortgage money while costing the Treasnry only $310 million.

XI. Meantime, we should not lose sight of the fact that emergency home financing of this kind does not really solve the basic problem of the housing industry--a steady and adequate flow of mortgage money on a longterm basis. To achieve that objective we need to control the inflation inherited by the present Administration.

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Housing

ADMINISTRATION'S 1970 HOUSING PROGRAM

The Administration's 1970 housing program seeks

- to turn the housing and mortgage market situation around as quickly as possible and to reach a volume of 1.4 million housing starts this calendar year; and
- to strengthen basic features of the mortgage market and HUD subsidized housing programs so as to make more feasible a sustained rise in housing activity.

Estimates suggest a need for $20 1/2 billion of net new residential mortgage lending this year to finance the 1.4 million housing starts target. The program to secure these funds is summarized below.

Lending Institution	Net New Residential Mortgage lending		Program
	Actual (billions of dollars)	Objective	
Savings & Loan Associations	$9.0	$8-9	$250 million subsidy to support Home Loan Bank advances.
Commercial banks, life insurance companies, private pension funds, and state and loan government retirement funds	4.0	6-7	Voluntary Program to shift funds to mortgages.
FNMA-GNMA	4.4	4	Continued active support.
Mutual savings banks	1.8	2	Continued active support.
Other lenders	.6		Same as last year
Total	$19.8	$20+	

-more-

Actions to Meet Immediate Needs

1. Legislation requested authorizing $250 million subsidy for the Home Loan Bank System. (Emergency Home Financing Act of 1970 passed Senate 4/16/70).

   a. The subsidy will be used to underwrite advances to member savings and loan associations at a lower interest rate than would otherwise be possible.

   b. Without this subsidy, associations are likely to pay back outstanding advances and place only $4-5 billion of funds in mortgages this year. The subsidy should promote the $8-9 billion of mortgage loans needed from this industry.

2. Treasury seeking voluntary support for the mortgage market this year from commercial banks, life insurance companies, private pension funds, and state and local government retirement funds.

   a. The pledges made to date total over $2 billion dollars. This additional housing credit for 1970 residential mortgages will significantly enhance the nation's ability to meet critical housing needs.

3. Treasury, HUD and Federal agencies developing mortgage-backed bonds guaranteed by GNMA, to help attract investment in the mortgage market.

4. FNMA's borrowing authority and capital position increased to permit continuation of heavy direct support of the FHA-VA sector of the mortgage market.

5. Legislation requested converting $1.5 billion of GNMA Special Assistance funds into more flexible authority. The funds could then be used as needed to buttress HUD's "Tandem Plan" Operations, which assist in financing construction of subsidized housing units on terms free of excessive discounts.

6. Supplemental appropriation requests submitted to increase contract authority under the Sections 235 and 236 subsidized housing programs by $25 million each.

   a. Virtually all existing authority has been reserved, and there is a large backlog of requests which cannot now be met.

   b. The 1971 Budget requests an additional $140 and $145 million for these programs.

Long-Range Actions Already Proposed

1. Legislation to create a secondary market for conventional mortgages in FNMA and the Federal Home Loan Banks, along lines of the market that FNMA now provides for FHA and VA mortgages.

2. Legislation to strengthen FHA-VA mortgage market by authorizing experimentation with a dual market system partly free of mortgage discounts, and exempting such mortgages from usury limitations imposed by state law.

3. Legislation to consolidate, streamline and strengthen the multitude of HUD's subsidized housing programs now contained in many narrow and separate legislative authorities.

4. Appointment of a special Presidential commission to study the basic structure of the financial system and its institutions.

$5-6 billion on mortgage money with budgetary impact of $310

Commercial Banks · Life insurance private pension funds.

Provisions of the Emergency Home Finance Act of 1970 Passed by the Senate 72-0 on Thursday, April 16, 1970

1. Title I authorizes $250 million subsidy for the Federal Home Loan Banks. It will be used to stimulate mortgage lending through savings and loan associations. Without this subsidy mortgage lending by these institutions is likely to be curtailed sharply this year (see attachment).

2. Titles II and III provide for a secondary market for conventional mortgages in FNMA and in the Federal Home Loan Bank System. This will help increase the fluidity of the mortgage market.

3. Title IV provides more flexible authority for $1.5 billion of GNMA special assistance funds. This will permit HUD to use these funds as necessary in its Tandem Plan operations to support the mortgage market.

4. Title V authorizes a new subsidized housing program to help middle income families obtain mortgage loans at interest rates as low as 7%. The Budget authorization is $60 million a year for the first three years. That should support construction of 450,000 housing units over a three year period.

5. Title VI authorizes

   (a) A dual market system for FHA-VA mortgages, giving more flexibility to the FHA-VA interest rate.

   (b) Regulation and study of closing costs.

   (c) Establishment of a special advisory commission on housing goals to report annually to the President and Congress.

   (d) A few technical changes in statutes regulating commercial banks and savings and loan associations, that should be marginally beneficial to the mortgage market.

   (e) A perfecting amendment to make good on the promise of Federal guarantees on loans authorized under HUD's New Communities program.

   (f) An amendment to the public housing and urban renewal statutes removing a restriction which might have prevented continued sale of notes and bonds under those programs.

The Administration supports the whole Bill. Speedy enactment is essential so that appropriations can be obtained for Titles I and V and the whole program implemented in time to affect this year's building plans.

Feb. 2 - 25 13 days of hearings.

No Committee action until late MAY.

BRIEF SUMMARY
OF THE
"EMERGENCY HOME FINANCE ACT OF 1970" (H.R. 17495)
AS AMENDED AND REPORTED BY THE
HOUSE BANKING & CURRENCY COMMITTEE

TITLE I - Reduction of Interest Charges for Members of Federal Home Loan Bank System

Authorizes appropriation of $250 million to be used to subsidize FHLBB advances to member associations; maximum mortgage loan could not exceed FHA section 203(b) sales housing and section 207 rental housing limits; not more than 20 percent of funds appropriated may be used in any one Federal Home Loan Bank district.

TITLE II - FNMA Authority to Provide Secondary Market for Conventional Mortgages

Authorizes FNMA to buy and sell conventional as well as FHA and VA mortgages; authority would be limited to mortgages with maximum loan-to-value ratio of 75 percent, unless (1) excess over 75 percent is privately insured or guaranteed, (2) seller agrees to repurchase or replace the mortgage at any time the mortgage is in default within a time period to be negotiated, or (3) seller retains at least 10 percent participation in the mortgage; only 10 percent of conventional mortgages purchased could be more than one year old at time of purchase; maximum mortgage limits could not exceed FHA sections 203(b) and 207 limits; FNMA would not be able to make public offering of securities to finance its secondary market operations in conventional mortgages at any time that HUD Secretary determines that an offering would unduly inhibit financing of GNMA special assistance functions.

TITLE III - Federal Home Loan Mortgage Corporation

Establishes FHLMC to operate a secondary market for FHA and VA and conventional mortgages under direction of FHLBB; conventional mortgages could be purchased from any member of Federal Home Loan Bank system or any other financial institution whose deposits are insured by a Federal agency; the Corporation's authority would be parallel to the FNMA authority in title II of the bill.

TITLE IV - Government National Mortgage Association Special Assistance Funds

Increases the authorization for GNMA special assistance purchases (Presidential authority) by $1.5 billion immediately.

TITLE V - National Development Bank - KNOCKED OUT IN COMMITTEE

TITLE VI - Flexible Interest Rate Authority

Extends for one year (to October 1, 1971) the authority of the Secretary of HUD to establish maximum interest rates for FHA mortgage insurance and VA loan programs.

TITLE VII - Miscellaneous

(1) Directs HUD and VA to prescribe standards governing settlement costs on FHA-VA housing and to study and report to Congress within one year on actions to reduce and standardize settlement costs; (2) authorizes HUD to borrow from Treasury in order to meet obligations incurred in carrying out the new community guarantee program; (3) permits HUD (until July 1, 1972), where necessary because of State law, to charge a rate of 6 percent (instead of the going Federal rate, as under existing law) on loans to housing and urban renewal agencies; and (4) makes it possible for Federal Savings and Loan Associations that have public funds - State and local government - to put up collateral for these public funds (under existing State laws public funds placed in insured financial institutions must be backed by collateral); (5) authorizes Federally

chartered savings and loans to loan state-wide where State chartered associations may do so; (6) authorizes savings and loans to be depositories for self-employed (Keogh-Smathers Trust) funds; (7) authorizes 3-year extension of time for compulsory divestiture under S & L Holding Company Act; (8) authorizes savings and loan holding companies to act as consultants for subsidiary associations in the development of low and moderate income housing projects; and (9) authorizes Federal Reserve to permit member banks to invest portions of their reserves in Federal agency obligations issued to finance the construction or acquisition of residential real estate; (1) allows savings and loans thirty years instead of twenty years to reach their statutory 5% reserve requirement.

THE HOUSING SITUATION AND THE EMERGENCY HOME FINANCE ACT OF 1970

This nation is in the midst of a housing crisis.

Housing production has not kept pace with our growing needs for more than four years. Housing starts dropped sharply again in April and the production rate so far this year is 25% below the pace of a year ago.

Vacancy rates are down. Costs are soaring. Fewer and fewer Americans can find decent places to live.

The problem is largely a lack of mortgage money -- both in amount and in reasonable cost.

We all know that the whole problem cannot be solved all at once; but we should be making a start and yet we continue to procrastinate.

Mr. Widnall and ~~19~~ 60 other Republican Members of ~~this~~ the house introduced the Emergency Home Finance Act on April 28, 1970. This bill makes a good start at providing more mortgage money at lower cost. It has full Administration support and was passed by the other body on April 16, 1970, by a unanimous vote of 72 to 0.

One provision of the bill will enable the Federal Home Loan Banks to supply lower cost money to savings and loan associations for relending in the mortgage market. The banks have already begun to implement this kind of program but they cannot continue unless the support authorized by this provision is forthcoming. They need it soon.

Another provision of the bill would make available mortgage money at a rate down to 7% to help ~~get~~ meet the housing needs of middle Americans. We already have programs for low-income families, and high-income families don't need Government assistance. This new program fills an urgent need. It would provide assistance on 450,000 houses over three years. We need to begin now.

In the face of a general decline in housing this past year, starts under FHA and VA programs are up. This is largely because of the secondary market facilities provided by FNMA for FHA and VA mortgages. We need a secondary market for conventional mortgages. The Emergency Bill provides such a market. We need it in operation soon.

These and other provisions are in the bill now being considered by the House Banking and Currency Committee. ~~I know Members of this body are anxious to take whatever action they can to help bring our nation's mortgage market and housing sector out of crisis.~~

# # # #

REMARKS OF HONORABLE WILLIAM B. WIDNALL TO ACCOMPANY THE EMERGENCY HOME FINANCE ACT OF 1970

Mr. Speaker:

I am today introducing legislation identical to The Emergency Home Finance Act of 1970 which has come to us from the other body where it was passed by a 72-0 vote.

The title of the act includes the word "emergency," and it very well should. Our housing situation is critical. We do indeed face an emergency.

In the past five years, this Nation's total housing production has fallen more than 1.1 million units short of the volume needed to keep pace with population growth and losses of existing units. Vacancy rates are at the lowest levels in 20 years. This is an emergency.

Housing construction is in the doldrums. Mortgage money has all but disappeared from the market. And the average price of such new housing as is available has risen to such a point that the majority of our people are priced out of the market. The average man can't afford a house, and he has trouble finding an apartment. All this adds up to an emergency.

The Emergency Home Finance Act responds to this challenge by fortifying the mortgage market and by making it possible for more people to become home owners.

It authorizes a new subsidy program that will allow eligible middle-income families to purchase homew with mortgage loans at interest rates as low as 7%. Expenditure of $60 million per year for three years is authorized. This will allow for construction of about 150,000 subsidized homes each year, for a total of 450,000 units. This is a substantial number of new units. This program in itself will not end the housing emergency, but it moves in the right direction.

The bill also increases the availability of mortgage money by --

-- authorizing FNMA to purchase conventional mortgages as well as FHA and VA paper;

-- authorizing a $250 million subsidy that Federal Home Loan Banks can use to stimulate mortgage lending by savings and loan institutions;

-- giving GNMA more flexibility in its use of $1.5 billion in special assistance funds that support the mortgage market.

These provisions of the Act, together with its other provisions for increasing the flow of mortgage funds, will offer a much-needed stimulus to our faltering home construction industry. ~~and~~ They will open doors for many families who want to own homes but are priced out of the market. A section-by-section summary is included for the record.

At this time, I must also express my deep concern over the fact that the House has not demonstrated any sense of urgency with respect to our housing problems. The Banking and Currency Committee held 13 days of emergency housing hearings between February 2 and February 25. The situation waw so urgent that we held hearings on Saturday to hear from Chairman Burns of the Federal Reserve Board. Unfortunately, no action has followed and since the 25th of February there has been no concern shown by the Committee for these acute housing problems.

We have before our Committee numerous bills affecting housing in one way or another, many of which are extremely controversial, on which it is very unlikely we could take action any time in the near future. It is my view that we cannot delay action on the emergency housing bill until the problems associated with those other measures have been solved. This emergency housing legislation must be passed and promptly for appropriations must also be requested and enacted before its provisions can be made effective. It will not suffice for us to delay action until the late summer or the fall. Action to assist in obtaining housing is needed now and I urge all Members to join in co-sponsoring this legislation and urging prompt action on it.

Both the housing industry and the Administration support this legislation. Some have asked whether the appropriations requested are consistent with the President't program and I can assure you that they are and that this measure is fully supported by the Administration and that we have been assured that upon its enactment, appropriations will be promptly requested.

Inflation inherited from the Johnson Administration is a major contributing factor to the current problems of the homebuilding industry. There is virtual unanimity from all quarters that the control of inflation is essential to renewed flows of mortgage money and the reduction of interest rates.

On the other hand, most also agree that the very efforts to control inflation tend to have the harshest effect in the mortgage money market. It follows, therefore, that if we are to pursue the control of inflation, and we are determined to do this, and do not want to see the housing industry decimated, we must seek methods to alleviate the shortage, and price, of mortgage money. I can assure you we are doing this. Not only have a variety of administrative steps been taken but various legislative proposals are in the mill.

In considering legislation, we must walk a tightrope seeking to achieve the best balance between needed relief and the continuing efforts to control inflation. It would be simple enough to appropriate $5 - $10 billion for special assistance into a cocked hat and be highly inflationary -- thus, it would tend to be self-defeating. The trick is to find a way to divert a minimum of federal participation and expense.

The Emergency Home Finance bill which passed the Senate 72 - 0 and will soon be before the House is an innovative effort fully backed by President Nixon to achieve these objectives. If projections are correct, it should stimulate $5 - $6 billion of mortgage money with a budgetary impact of only $310 million.

FOR IMMEDIATE RELEASE: May 12, 1970

JOINT STATEMENT OF REPUBLICAN MEMBERS OF THE HOUSE BANKING AND CURRENCY COMMITTEE ON COMMITTEE VERSION OF THE EMERGENCY HOME FINANCE ACT OF 1970

The Republican Members of the Banking and Currency Committee are wholeheartedly in favor of the prompt enactment of an Emergency Home Finance Act. We are fully aware of the burden which the fight against inflation has imposed on the housing industry and have been the motivating force in stimulating prompt committee action of a measure which passed the Senate April 16th by a vote of 72-0. We have urged the enactment of an identical bill, noncontroversial and with provisions for relief which can be effective during this building season.

Therefore, it is with regret that we must, for the following reasons, oppose the provisions of the title of the Committee's bill which would establish a new National Development Bank to finance housing:

This has now been knocked out of the bill.

1. Establishing a new Federal housing bank with even broader powers than existing Federal housing assistance programs would be a time consuming process. By no stretch of the imagination is that emergency action. It would take at least a year, starting from scratch, before the new bank could function. Such action has no place in this emergency housing bill.

2. The real purpose of the proposal is to coerce private pension funds and foundations into investment of a significant portion, and eventually all, of their assets in housing investments.

3. The Bank could enforce its coercive demands for such investment by assessing court enforceable penalties for compliance failure in amounts which in the case of a recalcitrant fund would entirely confiscate the fund within 10 years and in the case of complying funds require the investment of all its assets in housing investments in 40 years. In effect, the provisions would shift the burden of supporting housing to the beneficiaries of private pension plans -- such as retired workers -- and to the legitimate beneficiaries of foundation grants -- such as our hard-pressed educational institutions.

4. Application of the provisions would be discriminatory because of a faulty definition of private pension fund. Many small union and teacher pension funds would be covered but one of the largest union pension funds would not. A small $4½ million teacher fund would be subject to the harsh provisions of the proposal while a huge union pension fund 40 times larger than the small teachers' pension fund would be completely exempt.

5. Since the new Bank could be funded in whole or in part by Congressional appropriations or by back-door Treasury borrowing authority and since the obligations issued by the Bank would be fully guaranteed by the Federal government, the new Bank clearly would be a Federal agency under the rules promulgated by the Commission on Budget Concepts. As such a Federal agency, the funds it pays out through its loan account, irrespective of their source, will appear in the Federal budget as expenditures. At the contemplated target of $4 billion for the first year of operation of the Bank, this alone means a $4 billion budget deficit item.

6. The fully government-guaranteed obligations issued by the Bank will be subject to the Federal debt limit thereby requiring a substantial upward adjustment in that limit or a comparable contraction in other programs to which the Congress has attached a high priority.

7. A provision of the bill would subject income from the fully government-guaranteed obligations of the Bank to State income taxes. This would be an important departure from long established policy under which States do not tax income from direct or fully guaranteed Federal securities and the Federal government does not tax income from State and municipal obligations. This important shift in basic policy should raise concern on the part of States and municipalities of the reciprocal action imperiling their tax exempt status that might flow from this shift in policy. Even aside from this consideration however, subjecting the income of these Bank obligations to State taxation would increase the cost of the financing by approximately 1/2 percentage point.

8. Opportunity for hearing of affected parties has not been given on important sections of the proposal. For instance, one provision would allow member banks under regulation of the Federal Reserve Board, to deduct their investments in Federal housing agency securities from their required reserve requirements. This is an interesting proposal but potentially far reaching and certainly should not be enacted until the Federal Reserve has given the Committee the benefit of its careful study of the proposal. Obviously, the Fed would have to take offsetting action such as increasing reserve requirements generally or open market operations to avoid an inflationary impact of the change. Also involved are such questions as windfall profits to commercial banks and possible impairment of liquidity of the banking system.

9. Although of not particular concern to us, we suggest that Members who have been so vocal in the past about retaining the 4¼% ceiling on long-term government bonds might be concerned about this end run around their position. A new Federal agency issuing fully government-guaranteed 50-year bonds at interest rates comparable to agency securities -- 8 to 8½% in this market -- would certainly be an important breach in the 4¼% limit.

10. In essence, the new Bank proposal boils down to a method of altering the tax status of private pension funds and foundations to coerce their investment in housing. If there is to be a change, it should be made open and above board in our tax laws by the Ways and Means Committee which has exclusive jurisdiction over tax matters. Should that Committee see fit to make such a change, we would hope the approach would be on a tax incentive basis rather than the confiscatory approach of this bill.

We earnestly urge that the provisions establishing a National Development Bank be stricken from the bill and will work toward that end when the bill is before the House.

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3. Treasury, HUD and Federal agencies developing mortgage-backed bonds guaranteed by GNMA, to help attract investment in the mortgage market.

4. FNMA's borrowing authority and capital position increased to permit continuation of heavy direct support of the FHA-VA sector of the mortgage market.

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