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Office of the White House Press Secretary

THE WHITE HOUSE

TEXT OF REMARKS BY THE PRESIDENT
TO BE DELIVERED TO
THE NATIONAL ASSOCIATION OF REALTORS
LAS VEGAS, NEVADA

I want to pay a special tribute to the members of the National Association of Realtors for all you have achieved in the face of this very difficult economic environment.

You know, I always think it is a help when the complex problems we deal with are at least recognized by others. And sometimes this happens in strange ways.

Two weeks ago, I went back to my hometown of Grand Rapids for a rally in a college field house. And just as I was coming into the building, I heard the master of ceremonies ask the marching band to play one more selection-- something that would be appropriate for the President of the United States. So they played: "NOBODY KNOWS THE TROUBLES I'VE SEEN."

But one of the things I've always admired about the members of the National Association of Realtors is--you're all born optimists--and I am too. Believe me, anyone who wears a WIN button in Las Vegas, has to be an optimist!

Well, in the area of housing, I'm something of an optimist, too. The Ford family owns a condominium in Colorado; a house in Virginia; and for the last three months we've been living in a one-family dwelling at 1600 Pennsylvania Avenue. And you could tell that Betty and I are lifelong homeowners just by that very first night we spent at the White House. From force of habit, Betty wanted to go downstairs to make sure the front door was locked. . . . And with me, it was even more embarrassing. I had this irresistible urge to take out the trash.

But the White House is just one of some 70 million housing units in America today--and that figure is nearly double the number of 1940. The National Association of Realtors has played a major role in bringing about this phenomena' growth, and I am delighted to be able to join in this well-deserved salute to you and your association.

John Ruskin, the English author, wrote a book called "The Seven Lamps of Architecture." In it, he told us a great truth: It is more important to build a life than a cathedral.

Your association is fortunate to combine both: To be involved in building good lives as well as cathedrals.

The cathedrals of this land are its homes. It is the family home which is the foundation of what we call the American Dream.

Your industry and the housing industry are closely related. One hardly need look beyond his own community to recognize that the housing industry is suffering the effects of inflation more intensely than most other industries. Primarily because of a sharp spurt in the cost of money--although it has now started back down--and shortages of mortgage money, housing sales are off substantially in many parts of the country. Unemployment in the construction industry is more than double the national average. It has always been higher because of the nature of the industry but we aim to reduce that figure.

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Public officials would rather swallow such statistics than speak them. But it is my duty to face unpleasant facts. And it is my responsibility to do something about them--mine and the Congress'. I assure you I will do my part.

In recent weeks, as you know, this Administration has authorized three billion dollars under the Home Purchase Assistance Act for the purchase of mortgages on new, single-family homes. This program aims to not only help ease the high jobless rate in the construction trades, but to add to our housing inventory. This three billion dollars could mean up to 100,000 new homes for Americans with mortgage payments they can afford. I know this action--as announced--would not have helped you, the realtors, directly. Your commodity is primarily in existing homes--not the new ones under this program. But you understood--and you went along with us because of your commitment to the industry itself. I salute you--all of you--for that today. You provide a good example for the rest of us. You did not say: Me first! You said: We first! We--all Americans--let us do what is best for America!

As we face the nation's major problems in the weeks and months ahead, it will be well to remember this: It is not I alone--the President--who faces these enormous problems. It is not you who must battle them. It is we who must win. Or we will lose. The President and the Congress together. Republican and Democrat alike. Nevadan and Michigander and New Yorker. Rich and poor. Black and white. Young and old.

I am no arm-twister. I never have been. And I see no reason to become a prophet of gloom. But in the weeks and months ahead, I will call on the American people--and I underline people--to sacrifice for the national good.

We--the Congress and I--must reduce Federal spending. At the same time, we--the Congress and I--must increase Federal tax revenues. And we--all of us--must save energy, so that we will import less high-priced foreign oil.

Although you will be called on to make additional sacrifices, so will your Government. I will send to the Congress shortly after it reconvenes my recommendation for reducing Federal spending in 1975. Uncle Sam must slim down to what I consider fighting trim for the battle ahead of us. But even though Uncle Sam tightens his own belt, he should not tighten the noose on vital industries such as yours. Earlier, I mentioned that the Administration has made three billion dollars available for commitments to purchase mortgages on new, single-family homes.

As you know, I have sought to curtail and cut additional Federal financial outlays as inflationary. At the same time, we have targeted expenditures under this new program to counteract the declines in production and employment in new home construction. However, there is authority under the Act to purchase mortgages on existing homes as well.

Because purchase of a new home often depends on the sale of an existing home--and for other reasons--I have concluded that provision should also be made for existing homes. Therefore, I have an announcement on the subject this morning:

Effective today, up to 10 percent of each of the three billion dollars in commitments under this program can be used for mortgages on existing homes. That is, the Federal Government will strengthen the existing home mortgage market by about 300 million dollars--assisting seller and buyer. This will ease the burden somewhat but I want to emphasize that the real solutions--the ultimate solutions--will not be provided by the Government. The victories must and will be won in the free marketplace. I believe that and I know you do, too.

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Without question, mortgage credit is the lifeblood of the real estate industry. Today, after a long drought that began in the spring of this year, we are seeing a reversal in the outflow of funds from the savings institutions. If money is available to the savings and loan associations, there will be more available for home mortgages. If money is available for mortgages, home sales will rise. It's that simple.

There are other hopeful signs of a greater availability of credit. Interest rates have started downward. Even more significantly, rates on forward commitments have declined. For instance, the average yield on four-month commitments to purchase FHA-VA mortgages was 9.9 percent in FNMA's auction of November 4, compared to 10.6 percent in September. This indicates that mortgages on both new and existing homes will be available on somewhat easier terms in the future.

The dramatic decline in short-term interest rates over the last three months is particularly encouraging. Please take note that this was not produced by any undue inflationary expansion of the money supply.

Rather, the decline stemmed from a return to a more normal market in business loan demand. As the yields on instruments that compete with savings deposits decline, the supply of funds to and from the thrift institutions will continue to grow.

In short, the real estate picture will brighten. And as inflation recedes, we expect that the forces suppressing new construction and sales of new and existing homes will ease.

The 300 million dollar funding which will be made available to strengthen the existing home market is only part of the 7.75 billion dollar Home Purchase Assistance Act approved by the Congress. In signing the bill into law, I referred to some shortcomings in the measure. If Congress really wants to help when it reconvenes next week, why not include in this legislation privately-financed multi-family projects and individual condominium units?

Rising costs of land and material underline the importance of utilizing all our housing resources. Condominiums and rental housing are vital parts of any national housing program.

Our inner cities must not be denied assistance because the high cost of land is a barrier to a housing assistance program. The public knows all too well that the housing needs of our metropolitan areas -- the inner cities -- must be met in significant part through the construction of rental housing.

I believe that more fundamental reforms are necessary to put a clamp on the up-and-down cycles in the housing industry. The current downturn should be a clear indication to us that the stopgap and patchwork solutions of the past are not adequate. We must make basic changes in the ways in which we supply capital and credit for the housing industry. The cyclical variations in the industry may thus be brought within more reasonable limits.

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There is currently before the Congress a bill, the proposed Financial Institutions Act, which is one of 31 proposals I recommended to Congress on October 8. Enactment of this bill would do a great deal to moderate the cyclical swings in housing credit. For one thing, it would reduce the structural differences between commercial banks and thrift institutions and help them to compete more effectively during periods of high interest rates. And it would provide a broader range of financial services for consumers and a higher rate of return for savers.

Even more important to the real estate business, it would attract greater investor interest in the mortgage market through the mortgage interest tax credit. This would offer investors a tax credit of one and one-half to three and one-half percent -- depending on the percentage of their portfolio in mortgages. Significantly, unlike other tax proposals, the benefit under the mortgage interest tax credit must go to the mortgagee. In short, I believe that passage of the Financial Institutions Act would provide significant benefits for the housing industry -- in particular, it would moderate the traditional boom-and-bust cycles in the industry. I intend to press for its enactment when Congress returns next week.

Let me leave you with this thought:

You come from all parts of this vast Nation. You represent its length and its breadth, its diverse people and its differing viewpoints. And indeed, you reflect the aspirations and inspirations of all Americans.

You -- as salesmen and saleswomen -- see daily the workings of this free society of ours in your communities. And all this activity can be summed up in one word in your business: Sales. And sales are the result of both aspiration and inspiration -- not to mention perspiration.

Somehow the word has gone out that the best way to defeat inflation and revitalize the economy is to curtail buying. Nothing could be further from the truth. I believe a free society means precisely that -- a free market. And sales are the heartbeat of a free market.

Instead of curtailing purchases, I say to consumers simply: Buy wisely. Shop sharper.

To you in sales, I say: Sell harder. Sell more aggressively.

What we need at this time in this country are more tough Yankee traders and more super salesmen.

Even while dealing with very practical matters, a nation must never lose its vision. I remember a story about Michelangelo. The sculptor was chiselling a block of marble. Every day a small boy came and shyly watched. He never said a word. Then, one day, the magnificent figure of "David" appeared. The astonished boy finally broke the silence. "How did you know he was there," he asked Michelangelo?

Vision, imagination--these are the qualities that make a people great. Americans have these qualities. And we will respond to today's challenges.

Inflation will be cooled. Despite some economic weakness -- recession -- business fallback -- call it what you will -- there will be an upturn in the Nation's economic patterns. In fact, here in Las Vegas where it's legal, I'll even bet on it.